

SOMERSET COUNTY, MARYLAND

FINANCIAL REPORT

June 30, 2023

SOMERSET COUNTY, MARYLAND

TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITORS' REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-16
FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Statement of Net Position - Enterprise Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	22
Statement of Cash Flows - Enterprise Fund	23-24
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
NOTES TO FINANCIAL STATEMENTS	27-71
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	73
Budgetary Comparison Schedule - Special Revenue Fund - Roads Board	74
Schedule of the Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems	75
Schedule of Contributions - Maryland State Retirement and Pension Systems	76
Actuarial Assumptions - Pension Plan - Maryland State Retirement and Pension Systems	77
Schedule of Changes in the County's Total OPEB Liability and Related Ratios	78
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	79
ADDITIONAL SUPPLEMENTARY INFORMATION	
Revenue Detail - Budget and Actual - General Fund	81-82
Expenditure Detail - Budget and Actual - General Fund	83-85
Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds	86
Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds - Special Revenue Funds	87
Combining Statement of Fiduciary Net Position - Custodial Funds	88
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	89
General Fund - Taxes Receivable	90
General Fund - Property Tax Levies and Collections	91
General Fund - Property Assessed Values	92
Governmental Fund Types (Reporting Entity) - Expenditures by Function	93
Statement of Revenue and Expenses - Enterprise Fund	94
THE UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	96-97
Report on Compliance For Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance	98-100
Schedule of Expenditures of Federal Awards	101
Notes to Schedule of Expenditures of Federal Awards	102
Schedule of Findings and Questioned Costs	103

INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The County Commissioners of Somerset County, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The County Commissioners of Somerset County, Maryland's basic financial statements as listed in the table of contents.

Qualified Opinion on the Aggregate Discretely Presented Component Units

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of The County Commissioners of Somerset County, Maryland, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of The County Commissioners of Somerset County, Maryland, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Somerset County Sanitary District, Inc., which represents 27 percent, 25 percent, and 10 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Somerset County Sanitary District, Inc. are based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The County

Commissioners of Somerset County, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

The financial statements of the Somerset County Liquor Control Board have not been audited, and we were not engaged to audit the Somerset County Liquor Control Board financial statements as part of our audit of The County Commissioners of Somerset County, Maryland's basic financial statements. The Somerset County Liquor Control Board financial activities are included in The County Commissioners of Somerset County, Maryland's basic financial statements as part of the aggregate discretely presented component units and represent 2 percent of the revenues of the County's aggregate discretely presented component units. The Somerset County Liquor Control Board had no assets or net position at June 30, 2023 as it was abolished by State law during the fiscal year.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the County adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96, "Subscription Based Information Technology Arrangements". In addition, as discussed in Note 17, the Somerset County Sanitary District determined to restate its prior year net position related to grant receivables and advances. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The County Commissioners of Somerset County, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The County Commissioners of Somerset County, Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Maryland State Retirement and Pension Systems schedules and schedule of changes in the County's total OPEB liability and related ratios, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The County Commissioners of Somerset County, Maryland's basic financial statements. The accompanying additional supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 on our consideration of The County Commissioners of Somerset County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The County Commissioners of Somerset County, Maryland's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering The County Commissioners of Somerset County, Maryland's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a stylized, handwritten font above the letters "LLP" in a smaller, standard font.

Salisbury, Maryland
February 29, 2024



Management's Discussion and Analysis

Somerset County's Financial Report for fiscal year ended June 30, 2023 reflects reporting in accordance with the format brought about by the Governmental Accounting Standards Board's (GASB) Statement No. 34 for State and Local Governments. One of the requirements of GASB 34 is this discussion and analysis that will provide the following things:

- Present the year's financial highlights.
- Describe the basic financial statements.
- Present condensed government-wide financial information.
- Analyze financial position and results of operations.
- Analyze balances and transactions of individual funds.
- Provide a budgetary analysis.
- Present capital asset and long-term debt activity.
- Describe any currently known significant facts, decisions or conditions.

While this discussion and analysis provides an overview of the financial performance of Somerset County, readers are encouraged to use the information presented in this section in conjunction with the basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

The total assets of Somerset County exceeded liabilities at the end of fiscal year 2023 by \$33.7 million. A net pension liability of \$8.0 million is reflected as a liability in accordance with the pension standard, as required under GASB 68. In addition, a liability for other post-employment benefits of \$18.8 million is reflected as a liability in accordance with GASB 75.

The total net position of the County increased approximately \$5 million during fiscal year 2023. There are several factors that enter into this increase, but the primary reason for the change is the increase in property, income and recordation tax revenues, along with favorable variances in certain unspent capital line items.

The County's total governmental funds show a fund balance of \$26.8 million as of the end of the fiscal year. Of this total, \$12.0 million is either committed or assigned for capital projects, debt service, other post-employment benefits, future budget purposes, or other fund purposes. Approximately \$14.2 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four sections: the independent auditor's report, required supplementary information, which includes this discussion and analysis, the basic financial statements, and the Uniform Guidance Supplementary Information. Somerset County's basic financial statements comprise three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

Government-wide Financial Statements provide a broad, entity-wide view of the County's financial position and changes in that position. The government-wide statements are another addition arising from GASB 34. Accountability is the paramount objective of financial reporting and two essential components of accountability are fiscal accountability and operational accountability. Fiscal accountability refers to the government's responsibility to justify compliance with public decisions concerning the raising and spending of public moneys during one budget cycle, whereas operational accountability refers to governments' responsibility to use all available resources to meet their operating goals efficiently and effectively and whether they can continue to meet those objectives in the foreseeable future.



Historically, governments have used fund accounting that achieved the goal of fiscal accountability but not operational accountability. Government-wide financial statements have now been added to assess a government's operational accountability and provide a complementary component with fund accounting.

Government-wide financial statements use a measurement focus and basis of accounting that provide both a long and short-term perspective on the County's financial health. The measurement focus reports changes in economic resources and the basis of accounting is full accrual. Therefore, these statements recognize increases or decreases in economic resources as soon as the underlying event or transaction occurs. Fund financial statements on the other hand focus on increases and decreases in current financial resources only to the extent that they reflect current cash inflows and outflows.

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the County's assets, liabilities, and net position at the end of the fiscal year. The Statement of Activities presents the transactions during the fiscal year and the resulting changes in net position. The expenses and revenues attributable to each function of government are netted to show how much each function relies on general revenue sources such as taxes, interest earnings and other general revenue. Both of these statements distinguish between governmental activities and business-type activities. Governmental activities rely principally on taxes and intergovernmental revenues whereby business-type activities are intended to recover a significant portion of their costs through user fees and charges for services.

Both of the government-wide statements also present a column that summarizes and combines the financial statements of the County's Component Units. This column includes the Board of Education, the Library, the Sanitary District, the Liquor Control Board (abolished effective January 1, 2023 through House Bill 671 by the General Assembly of Maryland), and the Local Management Board. These are considered component units of the Primary government because they either receive substantial funding from the Primary government or the County Commissioners appoint a majority of their board members.

Fund Financial Statements segregate financial operations into separate funds for accounting purposes and provide control over resources and activities designated for specific objectives or activities. These funds are grouped into three different types: governmental, proprietary, and fiduciary funds.

Governmental Funds include the General Fund, and Special Revenue Funds, which is comprised of the Roads Department, the Economic Development Commission, Hurricane Sandy and other non-major funds. Governmental funds focus on near-term flows of expendable resources and balances of resources available at the end of the fiscal year. The focus of governmental funds is narrower than that of the government-wide statements and both should be compared to evaluate both long and near term information.

Proprietary Funds, or enterprise funds, report on the Great Hope Golf Course and provide the same type of information as the government-wide statements, only report in more depth and detail.



Fiduciary funds account for resources held by the County for outside parties in a custodial capacity. These funds include the State Tax Fund, the Dental Fund, the Retirees Health Fund, State's Attorney Funds which include the State's Attorneys Drug Bust Fund and State's Attorneys County Property Forfeiture Fund, and the Detention Center Funds which include the Somerset County Detention Center Commissary Fund and the Somerset County Detention Center Inmate Welfare Fund.

Financial Data and Management's Analysis

Government-wide Statements

The following Statement of Net Position is a condensed version of that presented in the Financial Statements section of this report. Governmental activities include the General Fund, the Roads Department, the Economic Development Commission, Hurricane Sandy and other non-major governmental funds. Business-type activities consist solely of the Great Hope Golf Course. Component units include the Board of Education, the Library, the Sanitary District, the Liquor Control Board (abolished effective January 1, 2023 through House Bill 671 by the General Assembly of Maryland), and the Local Management Board.

Current and other assets are a broad category of assets that are readily convertible to cash and available to pay liabilities. Restricted assets are legally restricted for a specific use that originate from Federal, State, local code, grant agreements, or other contracts. Capital assets include land, buildings, vehicles, and equipment that have an extended useful life and depreciate in value over time.

Current and other liabilities consist of obligations that will be paid with currently available resources within a year. Long-term liabilities include debt balances beyond one year on bonds, notes and capital leases and accrued liabilities for compensated absences.

Net position, represents the remaining equity after subtracting liabilities from assets; and, is presented in three categories: assets invested in capital assets net of related debt, restricted net position and unrestricted net position.

Current assets amount to \$38,175,305 for the Primary Government at June 30, 2023, with \$32,049,192 in cash and cash equivalents including restricted cash. Capital assets amount to \$57,956,735, net of accumulated depreciation. The overall increase in current assets is primarily due to an increase in cash and cash equivalents of approximately \$7.3 million.

Total liabilities amount to \$59,556,162, which includes \$7,731,038 for Board of Education projects, \$6,911,818 for Landfill and Solid Waste projects and obligations and \$7,995,691 for the net pension liability under GASB 68. In addition, the balance sheet includes a liability for retirees' future post-employment health care benefits. This liability was estimated by our actuary to be \$18,791,446 for all governmental and business type entities. The overall increase in current liabilities is primarily due to an increase in unearned revenue from grants of approximately \$4.1 million.

Total net position amounted to \$33,722,776 of which \$37,623,563 is invested in capital assets net of related debt and \$4,298,138 is the unrestricted deficit, after recording the net pension liability, and the other post-employment benefit obligation.



SOMERSET COUNTY MARYLAND
SUMMARY OF STATEMENT OF NET POSITION
June 30, 2023 and 2022

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Current and other assets	\$ 37,784,940	\$ 31,666,696	\$ (6,986)	\$ (13,043)
Restricted	397,351	194,049	-	-
Capital assets	57,162,769	54,820,984	793,966	888,797
Total assets	95,345,060	86,681,729	786,980	875,754
Deferred outflows of resources	4,385,545	5,222,301	-	-
Current and other liabilities	12,696,465	8,067,595	105,128	138,018
Long-term liabilities	46,714,077	46,264,232	40,492	32,093
Total liabilities	59,410,542	54,331,827	145,620	170,111
Deferred inflows of resources	7,238,647	9,880,651	-	-
Net position:				
Net investment in capital asset	37,495,633	33,800,224	753,474	856,704
Restricted	397,351	194,049	-	-
Unrestricted	(4,811,568)	(6,302,721)	(112,114)	(151,061)
Total net position	\$ 33,081,416	\$ 27,691,552	\$ 641,360	\$ 705,643



Total		Component Units	
2023	2022	2023	2022
\$ 37,777,954	\$ 31,653,653	\$ 12,909,373	\$ 12,618,725
397,351	194,049	1,772,142	1,743,499
57,956,735	55,709,781	120,409,682	117,043,454
96,132,040	87,557,483	135,091,197	131,405,678
<hr/>	<hr/>	<hr/>	<hr/>
4,385,545	5,222,301	7,058,828	8,316,960
<hr/>	<hr/>	<hr/>	<hr/>
12,801,593	8,205,613	8,721,409	6,700,490
46,754,569	46,296,325	37,079,030	36,029,376
59,556,162	54,501,938	45,800,439	42,729,866
<hr/>	<hr/>	<hr/>	<hr/>
7,238,647	9,880,651	5,157,258	5,990,090
<hr/>	<hr/>	<hr/>	<hr/>
38,249,107	34,656,928	109,648,318	105,517,467
397,351	194,049	1,042,475	385,521
(4,923,682)	(6,453,782)	(19,498,465)	(14,900,306)
<hr/>	<hr/>	<hr/>	<hr/>
\$ 33,722,776	\$ 28,397,195	\$ 91,192,328	\$ 91,002,682



The Statement of Activities presented below is a condensed version of the more detailed one presented in the Financial Statements section. Program revenues are listed first followed by General revenues and then expenses attributable to each function of the County government. The Change in net position is equal to the revenues minus expenses and is added (subtracted) to Net position beginning of year to reach Net position end of year.

Governmental activities had revenues that exceeded expenses and transfers by \$5,389,864 for the year ended June 30, 2023. This increase in net position is due to several factors, but the most significant is the increase in property, income and recordation tax revenues, combined with spending below expectations on certain capital line items. Additionally, due to rising interest rates, the County saw a large windfall in interest earnings this year.

In the general revenue category, the disparity grant, listed under State of Maryland – Disparity Grant, is the County's third largest revenue source and amounted to \$7,139,319. The Disparity Grant is provided from the State to counties whose per capita taxable income falls below 75% of the State average.



SOMERSET COUNTY MARYLAND
STATEMENT OF ACTIVITIES
For the Fiscal Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program Revenues				
Charges for services	\$ 2,965,398	\$ 2,751,174	\$ 754,976	\$ 671,733
Operating Grants and contributions	5,710,610	7,888,355	-	-
Capital grants and contributions	2,938,127	1,059,026	-	-
	11,614,135	11,698,555	754,976	671,733
General Revenues:				
Property taxes	19,667,206	18,752,314	-	-
Income taxes	10,203,235	9,456,678	-	-
Other taxes	1,147,548	1,239,485	-	-
State of Maryland - Disparity Grant	7,139,319	7,139,319	-	-
Other	1,355,507	556,141	(1,409)	(315)
	39,512,815	37,143,937	(1,409)	(315)
Total revenues	51,126,950	48,842,492	753,567	671,418
Expenses				
General Government	10,839,655	10,285,319	-	-
Public safety	11,156,197	9,310,402	-	-
Public works	7,966,929	7,608,417	-	-
Health	1,133,432	910,377	-	-
Social services	252,112	233,226	-	-
Education	10,879,065	10,697,089	-	-
Recreation & culture	1,720,357	1,414,269	-	-
Conservation of natural resources	72,450	69,462	-	-
Economic and community development	555,266	1,173,219	-	-
Intergovernmental	180,910	173,456	-	-
Interest on long-term debt	539,713	616,188	-	-
Golf-course	-	-	1,258,850	1,157,664
Component units	-	-	-	-
Total expenses	45,296,086	42,491,424	1,258,850	1,157,664
Transfers	(441,000)	(325,000)	441,000	325,000
Change in net position	5,389,864	6,026,068	(64,283)	(161,246)
Net position beginning of year	27,691,552	21,665,484	705,643	866,889
Net position end of year	\$33,081,416	\$27,691,552	\$ 641,360	\$ 705,643



Total		Component Units	
<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
\$ 3,720,374	\$ 3,422,907	\$ 5,839,813	\$ 6,553,906
5,710,610	7,888,355	71,764,139	65,781,461
2,938,127	1,059,026	5,115,993	1,271,075
<u>12,369,111</u>	<u>12,370,288</u>	<u>82,719,945</u>	<u>73,606,442</u>
19,667,206	18,752,314	-	-
10,203,235	9,456,678	-	-
1,147,548	1,239,485	-	-
7,139,319	7,139,319	-	-
1,354,098	555,826	(139,363)	(3,227)
<u>39,511,406</u>	<u>37,143,622</u>	<u>(139,363)</u>	<u>(3,227)</u>
<u>51,880,517</u>	<u>49,513,910</u>	<u>82,580,582</u>	<u>73,603,215</u>
10,839,655	10,285,319	-	-
11,156,197	9,310,402	-	-
7,966,929	7,608,417	-	-
1,133,432	910,377	-	-
252,112	233,226	-	-
10,879,065	10,697,089	-	-
1,720,357	1,414,269	-	-
72,450	69,462	-	-
555,266	1,173,219	-	-
180,910	173,456	-	-
539,713	616,188	-	-
1,258,850	1,157,664	-	-
-	-	82,390,936	77,013,433
<u>46,554,936</u>	<u>43,649,088</u>	<u>82,390,936</u>	<u>77,013,433</u>
-	-	-	-
5,325,581	5,864,822	189,646	(3,410,218)
28,397,195	22,532,373	91,002,682	94,412,900
<u>\$33,722,776</u>	<u>\$28,397,195</u>	<u>\$91,192,328</u>	<u>\$91,002,682</u>



Governmental funds

Total governmental fund balances at the end of the fiscal year amounted to \$26,840,974 of which \$158,311 is non-spendable, \$397,351 is restricted, \$9,300,000 is committed, \$2,739,493 is assigned and \$14,245,819 is unassigned.

The general fund constitutes the main operating fund of the Somerset County Government and reports a fiscal year ending fund balance of \$24,650,802. The general fund balance increased by \$1,355,604 during fiscal year 2023. This result is significantly better than the budgeted decrease of \$3,477,053.

Budgetary Variations

Somerset County legally adopts the General Fund budget each year in May and holds an advertised public hearing and accepts public input before finalizing and subsequently adopting it. This section highlights notable differences between the adopted budget and actual ending balances. A statement detailing the variances by budget line item of both revenues and expenditures can be found in the supplementary information section.

Property taxes were \$866,884 greater than what was budgeted for fiscal year 2023. This increase was primarily due to greater collections at the County Tax Sale, half year billings on new construction of homes, which continued to trend upward during the fiscal year with only a small change from FY 2022, and new commercial construction.

Income tax revenues exceeded budgeted estimates by \$1,153,235. When the budget was prepared in the spring of 2022, the County took a more moderate approach to the budget estimate by considering the Maryland Minimum Wage Law, which had increased the minimum wage by 13.64% (\$1.50 per hour) from January 1, 2020 through January 1, 2022. Due to this fact, management decided the County should start to receive an increase in the income tax disbursements due in part to the legislated minimum wage increases. However, the County was still uncertain about the lingering effects of the COVID 19 Pandemic, therefore management tempered their approach by remaining somewhat cautious in their estimates for local income tax revenues. The federal government did not declare an end to the COVID-19 PHE (public health emergency) until May 11, 2023. Even with this less conservative approach, the County still saw a 12.75% increase over the FY 2023 budget estimate for income tax revenue, however this was closer to the mark than the 21.25% favorable variance in FY 2022.

The County had a major windfall with interest earnings for FY 2023, showing a positive variance of \$650,274 over our interest budget of \$25,000. The financial institutions in which the County's cash assets are invested are beginning to raise the interest rates that have been so depressed for many years. This uptick in interest rates, coupled with a more aggressive investment strategy have been a great benefit to the County this year. In comparison, FY 2022 interest earnings totaled \$18,037.

Recordation tax revenue exceeded budget by \$209,261, primarily due to the surge in property values since the last assessment by the State Department of Assessments and Taxation in 2021. This significant increase in the price of homes trended much the same as FY 2022, with the continuing housing shortage creating high buyer demand thus pushing home prices up. There continued to be an increase in sales activity in 2023.

The CDBG COVID Rental and Food Assistance Federal Programs, which passed through the Maryland Department of Housing and Community Development, ended in FY 2023 and total funds of \$335,462 were received as unbudgeted revenue for the year. Likewise, the County received the 2nd half of the SLFRF (State and Local Fiscal Recovery Funds) American Rescue Plan federal program funds in the amount of \$2,487,804, which was new in fiscal year 2022 and unbudgeted in FY 2023. The County expended \$664,060 of those funds on various approved projects and deferred \$1,823,744 which remained unexpended at the end of the year.

The County was the recipient of a new grant through the U.S. Economic Development Administration's (EDA) Travel, Tourism, and Outdoor Recreation program in the amount of \$1,000,000, which was American Rescue Plan funding. Titled the Smith Island Road Project, it consisted of the transport and repaving of crumbling roads on historical Smith Island to improve travel and tourism to and around the island. Bids for this project came in well



over the EDA approved cost of \$1,250,000, however the bid review panel recommended moving the project forward and the overage of \$620,962 was approved by the Board for a total project cost of \$1,870,962. The County received \$859,161 of the \$1,000,000 budgeted funding and the negative variance in the amount of \$140,839 is expected to be received in FY 2024 to complete the project.

The County budgeted for two airport hangar grants in FY 2023: a capital projects grant through the Department of General Services in the amount of \$300,000 and a grant through MD Supplement Budget in the amount of \$150,000. The Crisfield-Somerset County Airport has had a lengthy planning and grant seeking phase for this project and no expenses were incurred in 2023, thus no revenue was received for these two grants. However, there was an additional unbudgeted grant through the Governor's Supplemental Budget – 2023 PAYGO Grant in the amount of \$550,000 for which the County was funded in advance. This led to a favorable revenue variance for FY 2023, since there were no expenditures for the Airport Hangar Project.

Waterways projects that are budgeted in any fiscal year can sometimes take one year to complete the consulting, permitting, and design phase of the projects, which often delays completion of a project into the next fiscal year. There were two Waterways Projects that did not begin in FY 2023: Webster's Cove which was budgeted at \$150,000 and Tylerton Breakwater budgeted at \$25,000. Additionally, two projects started but were not completed in FY 2023: Dames Quarter Bulkheading projected at \$249,000 of which only \$11,900 was completed and St. Peters Creek Marina Bulkheading/Finger Piers projected at \$249,000 of which \$214,797 was completed. In total this resulted in an unfavorable revenue variance of \$446,303. The projects are expected to be completed in FY 2024.

The Somerset County Liquor Control Board and the Alcoholic Beverages Dispensary System were abolished through the passage of House Bill 671 by the Maryland State Legislature, effective January 1, 2023. The County had budgeted \$350,000 in estimated revenue from the Somerset County Dispensary. However, the revenue received was \$235,965 net of expenses the County was required to incur upon the closure of the liquor dispensary and stores. This resulted in a negative revenue variance in the amount of \$114,035 for FY 2023.

Landfill Tipping fees were budgeted at \$1,274,000 and revenue came in at 1,226,938 for a negative variance of \$47,062. This fell well short of the FY 2022 revenue excess, primarily due to a large decrease in tonnage for FY 2023. 2023 tonnage was 25,665 and 2022 tonnage was 27,484 which was a decrease of 1,819 tons. House demolition trash from general contractors was much lower in 2023, while blight removal demolition may have increased there was not an off-set because the County waived the fees for the Blight Removal Program demolitions. Transfer Station Permit fees were budgeted at \$270,000 and revenue came in at \$288,680, thus exceeding the budget by \$18,680.

The State-Circuit Court Juror cost revenue was budgeted at 120,000, but due to a very low number of jury trials there was an unfavorable variance of \$104,985. This was off-set on the expenditure side with very low juror cost for FY 2023.

School Resource Officer Revenue-Sheriff was a new budgeted revenue for FY 2023 in the amount of \$130,000, but revenue received exceeded the budget by \$162,149 for a positive variance. This revenue comes via an MOU with the Board of Education to pay one half the cost of the School Resource Officers. The reason for this large excess revenue was the County's decision to fund five additional School Resource Officers for FY 2023. This decision came after the budget process was completed, due to the mass shooting at Robb Elementary School in Uvalde, Texas on May 24, 2022. The Board of County Commissioners felt the safety of all school children was of utmost importance and gave full support to the Sheriff's Office for the hiring of the additional personnel.



On the expenditure side, the Circuit Court had a favorable variance of \$203,865 which is primarily related to savings in the operating budget of \$109,497 due to low juror costs for FY 2023. The lingering effects of the COVID pandemic still impacted the Court System with a much lower caseload.

Registration and elections showed a favorable variance \$262,244. Of that, \$148,229 is due in part to a position that continued to be left vacant and a savings on certain election supplies that were not needed. The elections board also had savings in the capital category because certain E Poll Books equipment and printers were not acquired in FY 2023.

Planning & Zoning expenditures were under budget by \$83,488, due to the Comprehensive Plan update not being completed and unexpended nuisance violation budget funds and other miscellaneous items.

The County budgeted \$3,573,981 for SLFRF American Rescue Plan funds, and expended \$664,060, leaving a favorable variance to be used in the next year.

While Tourism shows expenditures were underbudgeted by \$111,079, they received a windfall from the Department of Commerce to be used for marketing the County which was unbudgeted and used to cover theses expenses.

The Sheriff's Office was over budget by \$628,784. \$232,537 of that is in large part due to the five new School Resource Officers who had to be outfitted with uniforms, weapons, ammunition, and other equipment, plus receive specialized training for the SRO position. There was a partial off-set on the revenue side with the School Resource Officer's funding. In addition, the Sheriff's Office received several large federal and state funding amounts that were unbudgeted that covered the bulk of the remaining variance.

Waterways projects progressed slower than anticipated during FY 2023 resulting in a favorable variance of \$501,574. The County budgeted for but did not start and/or complete certain projects: Webster's Cove - \$150,000 and Tylerton Breakwater - \$25,000 were not started in FY 2023 and Dames Quarter Bulkheading - \$11,900 and St. Peters Creek Marina Bulkheading/Finger Piers - \$214,797 were not completed during the fiscal year.

There is a favorable expenditure variance \$592,063 in the Waste, Collection and Disposal category. Of that, \$546,151 is due primarily to planned fixed asset acquisitions that the County was unable to complete in the current year.

Similarly, the favorable expenditure variance of \$659,335 under Transportation was due to fewer requests for capital purchases than anticipated.

There was an unfavorable expenditure variance in Recreation of \$778,195. \$118,192 is due to price increases for gas, uniforms, repairs to fields, facilities, and equipment that was not anticipated when the budget was set. Another \$204,820 is due to capital projects unbudgeted under the Program Open Space Program and the LPPI (Local Parks and Playground Infrastructure) grants.

Operating transfers to County Roads were \$717,168 less than budgeted as County Roads did not require full funding during fiscal year 2023, which was very similar to FY 2022. There was a planned purchase for a tractor (\$118,250) that did not happen, asphalt surface treatment, tar and chip, and fuel came in under budget approximately (\$173,918), Whitehaven Ferry service was not completed (\$75,000), and there were no bridge or bridge maintenance expenditures (\$350,000) in FY 2023.

Likewise, for the Great Hope Golf Course, transfers were \$173,554 less than budgeted primarily due to good management of expenses and because of an increase in revenue attributable to more moderate weather during the fall and winter months which brings more year-round golfers to the course, a broader and more comprehensive media and advertising strategy was implemented to help reach more golfers, which has shown benefits, and the success of the skipjack passes that are extremely popular with golfers. Additionally, management made the decision to scale back on the food and beverage amenities that were offered at the Caddy Shack Restaurant, which proved very beneficial for cost reduction in that aspect of the golf course operation.



Capital Asset and Long-term Debt Activity

The investment in capital assets for the County as of June 30, 2023 amounted to \$57,956,735 for both governmental and business-type activities. The schedule below summarizes the capital assets by category. Total additions for fiscal year 2023 amounted to \$6,008,079, net of transfers to construction in progress. The most significant additions during the year included the Health Department HVAC renovation (\$817,606), Detention Center rooftop AC (\$131,575), Somerset Industrial Park – Property Settlement (\$1,569,134), IT equipment and security upgrades (\$921,493), various Waterways projects (\$271,325), vehicles (\$354,094), and Recreation projects (\$227,019).

The Roads Department investment in capital assets as of June 30, 2023, totaled \$8,197,792, net of depreciation. Major additions for the year included a vehicle purchase totaling \$65,000, a Gradall purchase totaling \$464,000, and a new storage building totaling \$25,000.



SOMERSET COUNTY MARYLAND
Capital Assets
(Net of Depreciation or Amortization)
For the Fiscal Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land (not depreciated)	\$ 6,090,995	\$ 4,469,361	\$ -	\$ -
Land improvements	-	-	183,449	269,017
Construction in Progress	2,039,179	1,987,063	-	-
Buildings, improvements	17,165,091	16,644,580	550,974	573,604
Improvements, non-buildings	23,279,469	24,063,856	-	-
Vehicles	986,730	828,797	-	-
Furniture, machinery, equipment	6,984,393	6,827,327	59,543	46,176
Right-to-use lease vehicles and eq	616,912	-	-	-
 Total	 \$ 57,162,769	 \$ 54,820,984	 \$ 793,966	 \$ 888,797



Total	
<u>2023</u>	<u>2022</u>
\$ 6,090,995	\$ 4,469,361
183,449	269,017
2,039,179	1,987,063
17,716,065	17,218,184
23,279,469	24,063,856
986,730	828,797
7,043,936	6,873,503
616,912	-
<hr/>	<hr/>
\$ 57,956,735	\$ 55,709,781



Long-term debt for governmental and business-type activities amounted to \$20,775,604 at the end of the fiscal year. In addition to the change in landfill closure/post-closure costs, there were additions to long-term debt related to long-term lease arrangements which total \$625,544 as of June 30, 2023 and are now required to be reported with the implementation of GASB 87 during FY 2022. Debt service for the fiscal year 2023 was \$2,734,658, which includes \$145,596 related to long-term leases and was 6.1% of the 2023 general fund actual expenditures.

Currently Known Facts, Decisions, or Conditions

The Chesapeake Utilities project to extend natural gas into Somerset County was completed in FY 2023, thereby paving the way for Somerset County to be on par with other Counties in the State of Maryland that already had the natural gas pipeline. Mountaire and the UMES Pharmacy have connected to the natural gas line and the County anticipates other commercial entities and institutions to connect as well. The project should bring with it a huge economic development impact to Somerset County, as well as the surrounding area, because with future growth, new housing or commercial developments will be able to connect to this cleaner and less expensive fuel source.

Somerset County sold the former campground property on Brittingham Lane back in FY 2017, for \$900,000. The site, now known as the Somerset Crossings development is located across from UMES Boulevard and the future plans consist of a hotel, medical office, commercial pad sites and future housing developments. Royal Farms, as the first occupant of the development, opened for business in January 2023.

The County received a federal grant under the American Rescue Plan for Coronavirus local fiscal recovery totaling \$4,975,608. The entire amount of this grant has been received as of December, 2022. The County has until December 31, 2025, to fully disburse the grant. Cumulative expenditures under the grant through June 30, 2023 total \$2,203,864. The County Commissioners have received and studied all requests for use of the program funding and have developed and approved a complete preliminary plan for use of the funds.

The Rural Maryland Economic Development Fund (RMEDF) has allocated \$3.3 million, via Tri County Council to Somerset County for a new industrial park. The grant funding was received November, 2022. The County has secured and purchased land for the new park for \$1.6 million, during December, 2022. The additional \$1.7 million is planned for site preparation and extension of services. Likely tenants of the "Somerset County Industrial Park" are expected to employ approximately 250 workers in a facility up to 450,000 square feet. The total investment in the property would be between \$10 and \$50 million. The County is seeking legislative authority (HB 977 and SB 763) in the 2024 session to be authorized to sell certain property on Revells Neck Road the site of the industrial park.

Process Integration has recently completed new construction totaling 20,000 square feet at the Industrial Park in Princess Anne and is now open for business. The Company produces system development software driven equipment which includes robotics, industrial computers, printers and scanners. This multi-million-dollar investment project brings 10 new jobs to the County.

The Chesapeake Bay Passenger Ferry Feasibility Study is moving closer to completion with an input request being received in February 2024. The project would involve Somerset County teaming up with Anne Arundel, Calvert, Queen Anne's, and St. Mary's counties and 21 other host communities (cities) in Maryland as well as private companies to operate the ferry. The project could stimulate economic growth within each host community, provide improved access to the Bay, provide new water transportation connectivity options, and promote enhanced tourism opportunities throughout the region, as well as support existing businesses in Somerset County.

This financial report is intended to provide an overview of Somerset County's financial position and results of operation. Requests for additional information should be addressed to:

Somerset County Commissioners
11916 Somerset Avenue, Room 111
Princess Anne, MD 21853

SOMERSET COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 31,895,249	\$ 75,385	\$ 31,970,634
Certificates of deposit	-	-	-
Investments	78,558	-	78,558
Receivables			
Property taxes	1,038,021	-	1,038,021
Accounts receivable, net of allowance of \$73,293	27,823	-	27,823
Grants receivable	-	-	-
Notes receivable	977	-	977
Due from other governmental units	3,769,535	-	3,769,535
Other	445,307	-	445,307
Due from fiduciary fund	246,594	-	246,594
Internal balances	124,565	(124,565)	-
Inventories, at cost	158,311	42,194	200,505
Other	-	-	-
Restricted assets			
Cash and cash equivalents	397,351	-	397,351
Certificates of deposit	-	-	-
Receivables, net of allowance of \$373,668	-	-	-
Capital assets, not being depreciated or amortized	8,130,174	-	8,130,174
Capital and intangible assets, being depreciated or amortized, net	49,032,595	793,966	49,826,561
Total assets	95,345,060	786,980	96,132,040
DEFERRED OUTFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	1,823,413	-	1,823,413
Pensions (see Note 9)	2,562,132	-	2,562,132
Refunding debt	-	-	-
Total deferred outflow of resources	4,385,545	-	4,385,545
LIABILITIES			
Accounts payable and accrued expenses	2,792,914	57,599	2,850,513
Due to other governmental units	2,238,540	-	2,238,540
Unearned revenue	5,541,724	47,529	5,589,253
Other	-	-	-
Long-term liabilities			
Due within one year			
Compensated absences	176,298	-	176,298
Right-to-use lease payable	149,789	-	149,789
Bonds, notes and financed purchases	1,797,200	15,566	1,812,766
Due in more than one year			
Compensated absences	1,138,817	-	1,138,817
Right-to-use lease payable	475,755	-	475,755
Bonds, notes and financed purchases	18,312,368	24,926	18,337,294
Other post-employment benefit obligation (see Note 11)	18,791,446	-	18,791,446
Net pension liability (See Note 9)	7,995,691	-	7,995,691
Total liabilities	59,410,542	145,620	59,556,162
DEFERRED INFLOWS OF RESOURCES			
Other post-employment benefits (see Note 11)	6,563,016	-	6,563,016
Pensions (see Note 9)	675,631	-	675,631
Total deferred inflow of resources	7,238,647	-	7,238,647
NET POSITION			
Net investment in capital assets	37,495,633	753,474	38,249,107
Restricted	397,351	-	397,351
Unrestricted	(4,811,568)	(112,114)	(4,923,682)
Total net position	\$ 33,081,416	\$ 641,360	\$ 33,722,776

The Notes to Financial Statements are an integral part of this statement.

Component Units					
<u>Board of Education</u>	<u>Library</u>	<u>Sanitary District</u>	<u>Liquor Control Board</u>	<u>Local Management Board</u>	
\$ 4,616,977	\$ 321,644	\$ 530,533	\$ -	\$ 425,939	
-	-	168,452	-	-	
-	134,124	-	-	-	
-	-	-	-	-	
-	-	1,083,973	-	121,509	
-	-	427,279	-	-	
-	-	-	-	-	
5,011,523	1,611	18,750	-	-	
-	-	7,093	-	-	
-	-	-	-	-	
-	-	-	-	-	
31,327	-	-	-	-	
-	3,330	4,655	-	654	
-	-	1,291,010	-	-	
-	-	126,999	-	-	
-	-	354,133	-	-	
747,752	39,000	6,731,307	-	-	
86,927,421	569,788	25,390,776	-	3,638	
97,335,000	1,069,497	36,134,960	-	551,740	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
4,926,234	121,226	8,811	-	-	
1,582,696	-	333,477	-	-	
-	-	86,384	-	-	
6,508,930	121,226	428,672	-	-	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
5,050,654	69,793	283,065	-	198,796	
10,943	-	252,530	-	51,181	
1,887,254	14,909	-	-	-	
-	-	250,452	-	-	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
30,000	-	27,714	-	-	
133,905	3,041	-	-	1,210	
-	-	455,962	-	-	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
1,265,382	-	157,043	-	-	
487,838	12,799	-	-	2,603	
-	-	10,674,014	-	-	
19,031,165	953,929	125,368	-	-	
3,367,396	-	1,001,493	-	-	
31,264,537	1,054,471	13,227,641	-	253,790	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
4,275,532	445,158	66,302	-	-	
284,543	-	85,723	-	-	
4,560,075	445,158	152,025	-	-	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
87,675,173	608,788	21,360,719	-	3,638	
-	-	1,042,475	-	-	
(19,655,855)	(917,694)	780,772	-	294,312	
\$ 68,019,318	\$ (308,906)	\$ 23,183,966	\$ -	\$ 297,950	

SOMERSET COUNTY, MARYLAND

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
General Government	\$ 10,839,655	\$ 439,878	\$ 1,287,136	\$ 1,821,634
Public safety	11,156,197	385,418	1,266,960	316,900
Public works	7,966,929	2,041,120	974,674	369,562
Health	1,133,432	45,717	30,000	-
Social services	252,112	-	157,177	-
Education	10,879,065	-	-	-
Recreation and culture	1,720,357	53,265	1,416,970	-
Conservation of natural resources	72,450	-	-	-
Economic and community development	555,266	-	343,664	-
Intergovernmental	180,910	-	234,029	430,031
Interest on long-term debt	539,713	-	-	-
Total Governmental Activities	45,296,086	2,965,398	5,710,610	2,938,127
BUSINESS-TYPE ACTIVITIES				
Golf Course	1,258,850	754,976	-	-
Total Business-Type Activities	1,258,850	754,976	-	-
Total Primary Government	\$ 46,554,936	\$ 3,720,374	\$ 5,710,610	\$ 2,938,127
COMPONENT UNITS				
Board of Education	\$ 73,238,098	\$ 651,489	\$ 68,748,676	\$ 1,512,631
Library	1,157,877	14,173	1,110,310	-
Sanitary District	5,470,635	3,548,173	1,047,519	3,603,362
Liquor Control Board	1,660,830	1,625,978	-	-
Local Management Board	863,496	-	857,634	-
Total Component Units	\$ 82,390,936	\$ 5,839,813	\$ 71,764,139	\$ 5,115,993

General Revenues

Taxes:

Property
Income
Other

State of Maryland - Disparity Grant

Payments in lieu of taxes

Distributions from Somerset County Dispensary

Interest

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Position

Net Position Beginning of Year, as restated see Note 17

Net Position End of Year

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units					Local Management Board
Governmental Activities	Business-Type Activities	Total	Board of Education	Library	Sanitary District	Liquor Control Board	Local Management Board	
\$ (7,291,007)	\$ -	\$ (7,291,007)	\$ -	\$ -	\$ -	\$ -	\$ -	
(9,186,919)	-	(9,186,919)	-	-	-	-	-	
(4,581,573)	-	(4,581,573)	-	-	-	-	-	
(1,057,715)	-	(1,057,715)	-	-	-	-	-	
(94,935)	-	(94,935)	-	-	-	-	-	
(10,879,065)	-	(10,879,065)	-	-	-	-	-	
(250,122)	-	(250,122)	-	-	-	-	-	
(72,450)	-	(72,450)	-	-	-	-	-	
(211,602)	-	(211,602)	-	-	-	-	-	
483,150	-	483,150	-	-	-	-	-	
(539,713)	-	(539,713)	-	-	-	-	-	
<u>(33,681,951)</u>	<u>-</u>	<u>(33,681,951)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>-</u>	<u>(503,874)</u>	<u>(503,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>-</u>	<u>(503,874)</u>	<u>(503,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>\$ (33,681,951)</u>	<u>\$ (503,874)</u>	<u>\$ (34,185,825)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (2,325,302)	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	\$ (33,394)	-	-	-	
-	-	-	-	-	2,728,419	-	-	
-	-	-	-	-	-	(34,852)	-	
-	-	-	-	-	-	-	(5,862)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,325,302)</u>	<u>\$ (33,394)</u>	<u>\$ 2,728,419</u>	<u>\$ (34,852)</u>	<u>\$ (5,862)</u>	
19,667,206	-	19,667,206	-	-	-	-	-	
10,203,235	-	10,203,235	-	-	-	-	-	
1,147,548	-	1,147,548	-	-	-	-	-	
7,139,319	-	7,139,319	-	-	-	-	-	
48,363	-	48,363	-	-	-	-	-	
235,965	-	235,965	-	-	-	(266,889)	-	
675,274	(1,911)	673,363	99,845	15,476	3,215	-	41	
395,905	502	396,407	-	7,208	-	1,741	-	
39,512,815	(1,409)	39,511,406	99,845	22,684	3,215	(265,148)	41	
<u>(441,000)</u>	<u>441,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
39,071,815	439,591	39,511,406	99,845	22,684	3,215	(265,148)	41	
5,389,864	(64,283)	5,325,581	(2,225,457)	(10,710)	2,731,634	(300,000)	(5,821)	
27,691,552	705,643	28,397,195	70,244,775	(298,196)	20,452,332	300,000	303,771	
<u>\$ 33,081,416</u>	<u>\$ 641,360</u>	<u>\$ 33,722,776</u>	<u>\$ 68,019,318</u>	<u>\$ (308,906)</u>	<u>\$ 23,183,966</u>	<u>\$ -</u>	<u>\$ 297,950</u>	

SOMERSET COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds						Total Governmental Funds
	General Fund	Roads Board	Economic Development Commission	Hurricane Sandy	Other Governmental Funds		
ASSETS							
Cash and cash equivalents	\$ 29,529,680	\$ 1,265,691	\$ 721,857	\$ 293,142	\$ 84,879	\$ 31,895,249	
Investments	78,558	-	-	-	-	-	78,558
Receivables:							
Property taxes	1,038,021	-	-	-	-	-	1,038,021
Accounts receivable	-	27,823	-	-	-	-	27,823
Notes receivable	-	-	977	-	-	-	977
Due from other governmental units	3,536,018	152,547	3,013	-	77,957	3,769,535	
Other	390,593	-	54,714	-	-	-	445,307
Due from other funds	562,359	20,583	46,224	14,574	94,751	738,491	
Inventories, at cost	1,733	156,578	-	-	-	-	158,311
Restricted Assets							
Cash and cash equivalents	397,351	-	-	-	-	-	397,351
Total assets	\$ 35,534,313	\$ 1,623,222	\$ 826,785	\$ 307,716	\$ 257,587	\$ 38,549,623	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	\$ 2,636,626	\$ 149,650	\$ 6,638	\$ -	\$ -	\$ 2,792,914	
Due to other funds	176,133	191,199	-	-	-	-	367,332
Due to other governmental units	2,197,841	-	-	-	40,699	2,238,540	
Unearned revenue	5,104,772	-	1,589	293,141	142,222	5,541,724	
Total liabilities	10,115,372	340,849	8,227	293,141	182,921	10,940,510	
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	768,139	-	-	-	-	-	768,139
Total deferred inflows of resources	768,139	-	-	-	-	-	768,139
FUND BALANCES							
Nonspendable	1,733	156,578	-	-	-	-	158,311
Restricted for:							
Future expenditures	397,351	-	-	-	-	-	397,351
Committed for:							
Capital projects	5,800,000	-	-	-	-	-	5,800,000
Debt Service	2,300,000	-	-	-	-	-	2,300,000
OPEB	1,200,000	-	-	-	-	-	1,200,000
Assigned for:							
Future budget	705,899	-	-	-	-	-	705,899
Fund purpose	-	1,125,795	818,558	14,575	74,666	2,033,594	
Unassigned	14,245,819	-	-	-	-	-	14,245,819
Total fund balances	24,650,802	1,282,373	818,558	14,575	74,666	26,840,974	
Total liabilities, deferred inflows of resources and fund balances	\$ 35,534,313	\$ 1,623,222	\$ 826,785	\$ 307,716	\$ 257,587	\$ 38,549,623	

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total fund balances, governmental funds \$ 26,840,974

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 57,162,769

Some of the County's revenues will be collected after year-end, but not available soon enough to pay for the current period expenditures, and therefore are reported as unavailable revenues in the governmental funds. 768,139

Deferred outflows of resources - pensions 2,562,132

Deferred outflows of resources - OPEB 1,823,413

Deferred inflows of resources - pensions (675,631)

Deferred inflows of resources - OPEB (6,563,016)

Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Other post-employment benefit obligation (18,791,446)

Bonds, notes and financed purchases payable (20,109,568)

Right-to-use lease payable (625,544)

Compensated absences (1,315,115)

Net pension liability (see Note 9) (7,995,691)

Total long-term liabilities (48,837,364)

Net position of governmental activities in the Statement of Net Position

\$ 33,081,416

SOMERSET COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	General Fund	Roads Board	Special Revenue Funds			Total Governmental Funds
			Economic Development Commission	Hurricane Sandy	Other Governmental Funds	
REVENUE						
Taxes						
Local - property	\$ 19,688,267	\$ -	\$ -	\$ -	\$ -	\$ 19,688,267
Local - income	10,203,235	-	-	-	-	10,203,235
Local - other	1,147,548	-	-	-	-	1,147,548
State shared	-	678,084	-	-	-	678,084
Licenses and permits	200,838	-	-	-	-	200,838
Intergovernmental						
Federal	2,670,059	-	-	-	78,090	2,748,149
State	11,551,856	250,000	-	-	381,929	12,183,785
Local	284,328	-	-	-	39,730	324,058
Program income	-	-	-	20,000	-	20,000
Charges for services	2,256,508	508,051	-	-	-	2,764,559
Miscellaneous	1,071,180	42,595	75,713	-	-	1,189,488
Total revenue	49,073,819	1,478,730	75,713	20,000	499,749	51,148,011
EXPENDITURES						
Current						
General government	10,251,562	-	-	-	-	10,251,562
Public safety	10,357,662	-	-	-	-	10,357,662
Public works	2,390,527	3,726,495	-	-	-	6,117,022
Health	1,114,754	-	-	-	-	1,114,754
Social services	94,935	-	-	-	157,177	252,112
Education	10,879,065	-	-	-	-	10,879,065
Recreation and culture	1,404,073	-	-	-	-	1,404,073
Conservation of natural resources	72,450	-	-	-	-	72,450
Economic and community development	-	-	276,999	10,316	267,951	555,266
Intergovernmental	180,910	-	-	-	-	180,910
Debt service						
Principal retirement	2,049,349	-	-	-	-	2,049,349
Interest and fiscal charges	539,713	-	-	-	-	539,713
Capital outlay	5,500,855	599,521	-	-	-	6,100,376
Total expenditures	44,835,855	4,326,016	276,999	10,316	425,128	49,874,314
Excess (deficiency) of revenues over expenditures	4,237,964	(2,847,286)	(201,286)	9,684	74,621	1,273,697
OTHER FINANCING (USES) SOURCES						
Proceeds from long-term leases	771,140	-	-	-	-	771,140
Operating transfers, net	(3,653,500)	3,000,000	212,500	-	-	(441,000)
Total other financing (uses) sources	(2,882,360)	3,000,000	212,500	-	-	330,140
Net change in fund balances	1,355,604	152,714	11,214	9,684	74,621	1,603,837
Fund balances, beginning	23,295,198	1,129,659	807,344	4,891	45	25,237,137
Fund balances, ending	\$ 24,650,802	\$ 1,282,373	\$ 818,558	\$ 14,575	\$ 74,666	\$ 26,840,974

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Net change in fund balances, governmental funds \$ 1,603,837

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. In the current period, these amounts are:

Capital outlay	6,008,079
Depreciation or amortization expense	(3,666,294)
	2,341,785

Proceeds from right-to-use lease arrangements provide current financial resources to governmental funds; however, these arrangements increase long-term liabilities in the Statement of Net Position. In the current period, leasing arrangements of this amount were entered into.	(771,140)
---	-----------

Revenues that are earned but not collected within sixty days after the end of the fiscal year are not considered to be "available" to meet current cash requirements and are deferred in the Governmental Funds to the following year. The amount by which property tax deferred inflows increased or (decreased) relative to the prior year is	(21,061)
---	----------

Governmental funds report repayment of long-term debt (bonds, lease agreements and installment purchase agreements) principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	2,194,945
---	-----------

The change in estimated landfill closure costs recorded in governmental activities and related expenditures increase or decrease a liability on the government-wide statements, but are not a use of current financial resources in the governmental funds.	(65,000)
---	----------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in other post-employment benefits	(241,248)
Change in compensated absences	(179,095)
Change in pension expense	526,841
	106,498
Change in net position of governmental activities	\$ 5,389,864

SOMERSET COUNTY, MARYLAND

STATEMENT OF NET POSITION
ENTERPRISE FUND
June 30, 2023

	<u>Enterprise Fund</u>	
	<u>Golf</u>	
	<u>Course</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 75,385	
Inventory	42,194	
Total current assets	<u>117,579</u>	
Noncurrent assets		
Capital assets at cost	5,263,990	
Less accumulated depreciation	(4,470,024)	
Total noncurrent assets	<u>793,966</u>	
Total assets	<u>911,545</u>	
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	57,599	
Due to other funds	124,565	
Unearned revenue	47,529	
Current maturities of long-term debt	15,566	
Total current liabilities	<u>245,259</u>	
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>24,926</u>	
Total liabilities	<u>270,185</u>	
NET POSITION		
Net investment in capital assets	753,474	
Unrestricted deficit	(112,114)	
Total net position	<u>\$ 641,360</u>	

SOMERSET COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
Year Ended June 30, 2023

	<u>Enterprise Fund</u>	
	<u>Golf</u>	
	<u>Course</u>	
OPERATING REVENUE		
Charges for services	\$ 754,976	
Other operating	502	
<u>Total operating revenue</u>	<u>755,478</u>	
OPERATING EXPENSES		
Salaries and related taxes	524,525	
Repairs and maintenance	194,921	
Supplies	143,299	
Utilities	39,485	
Insurance	72,433	
Depreciation and amortization	128,282	
Other operating	155,905	
<u>Total operating expenses</u>	<u>1,258,850</u>	
<u>Net operating loss</u>	<u>(503,372)</u>	
NON-OPERATING (EXPENSES) REVENUE		
Financial expense, net	(1,911)	
<u>Total non-operating expenses</u>	<u>(1,911)</u>	
Loss before contributions, distributions and transfers	(505,283)	
<u>Operating transfers, net</u>	<u>441,000</u>	
Change in net position	(64,283)	
<u>Total net position, beginning</u>	<u>705,643</u>	
<u>Total net position, ending</u>	<u>\$ 641,360</u>	

SOMERSET COUNTY, MARYLAND

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

Year Ended June 30, 2023

	<u>Enterprise Fund</u>	
	<u>Golf</u>	
	<u>Course</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 745,427	
Payments to suppliers	(313,919)	
Payments to employees	(522,136)	
Other payments	(293,200)	
Net cash used by operating activities	<u>(383,828)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	<u>441,000</u>	
Net cash provided by noncapital financing activities	<u>441,000</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(25,052)	
Interest paid on long-term debt	(1,911)	
Proceeds from long term debt	33,451	
Additions of capital assets	<u>(33,451)</u>	
Net cash used by capital and related financing activities	<u>(26,963)</u>	
Net change in cash and cash equivalents	30,209	
Cash and cash equivalents, beginning	<u>45,176</u>	
Cash and cash equivalents, ending	<u>\$ 75,385</u>	

SOMERSET COUNTY, MARYLAND

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

(Continued)

Year Ended June 30, 2023

**Reconciliation of operating loss to net cash
used by operating activities:**

Operating loss	\$ (503,372)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	128,282
Changes in assets and liabilities:	
Accounts and other payables	(23,341)
Inventories	591
Unearned revenue	(9,549)
Due to other funds	23,561
Net cash used by operating activities	\$ (383,828)

SOMERSET COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Custodial Funds
ASSETS	
Cash	\$ 83,017
Property taxes receivable	89,453
Due from other government units	<u>157,141</u>
Total assets	<u>\$ 329,611</u>
LIABILITIES	
Due to other funds	<u>\$ 246,594</u>
Total liabilities	<u>246,594</u>
NET POSITION	
Restricted	<u>\$ 83,017</u>

SOMERSET COUNTY, MARYLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2023

	Custodial Funds
ADDITIONS:	
Contributions	\$ 632,723
Collections for other governments	1,596,747
<hr/>	<hr/>
Total additions	2,229,470
 DEDUCTIONS:	
Claims paid	461,444
Advisor payments	18,776
Administrative fees	105,392
Payments to other governments	1,596,747
Other	134,913
<hr/>	<hr/>
Total deductions	2,317,272
 Change in net assets	 (87,802)
 Net position, beginning	 170,819
<hr/>	<hr/>
Net position, ending	\$ 83,017

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 1. Description of Somerset County, Maryland

Somerset County, Maryland (the "County") founded in 1666, is governed by a Board of Commissioners form of government and is located in Princess Anne, Maryland. The County directly provides all basic local governmental services.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

The component unit columns contain the financial data of the County's five discretely presented component units – the Board of Education of Somerset County, the Somerset County Liquor Control Board, the Somerset County Sanitary District, Inc., the Somerset County Library System, and the Somerset County Local Management Board. They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities and have separately elected or appointed governing boards, they are included in the financial statements of the County because the County is financially accountable for each organization. Copies of the financial statements for the component units can be obtained from the County Commissioners' office in Princess Anne, Somerset County, Maryland.

The *Board of Education of Somerset County* (the "Board of Education") is a separately elected body that administers the public school system in the County. The Board of Education is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The Board of Education's budget is subject to approval by the County Council, and the Board of Education receives a significant portion of its operational and capital project funding from the County.

The *Liquor Control Board of Somerset County* (the "Liquor Control Board") was a separately elected body that oversaw the operation of liquor sales in the County. The Liquor Control Board was organized as a separate legal entity, but did not have the power to levy taxes or issue bonds. The County approved the Liquor Control Board's budget. The Liquor Control Board was abolished as of January 1, 2023 and all remaining assets were transferred to the County at that time. The Liquor Control Board is included as of and for the year ended December 31, 2022.

The *Somerset County Sanitary District, Inc.* (the "Sanitary District") is a body politic and corporate that was created by the Somerset County Commissioners. The Commissioners of the Sanitary District, who is appointed by the Somerset County Commissioners, exercises the powers of the Sanitary District. The County is a guarantor of the Sanitary District's debt. The Sanitary District is authorized and empowered to acquire, hold, construct, reconstruct, repair, improve, maintain, and operate water systems, sewage systems, and disposal plants for the benefit of Somerset County.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The *Somerset County Library System* (the “Library”) is a separately appointed body that administers the public library system in the County. The Library is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County provides a significant portion of its operational funding.

The *Somerset County Local Management Board* (the “LMB”) is a quasi-governmental agency of Somerset County. The LMB’s purpose is to promote a safe, healthy and stable environment of all Somerset County children and families by achieving a comprehensive system of education, health and human services through public and private interagency collaboration.

Blended component units, although separate legal entities, are part of the government’s operations. The following summarizes the blended component unit of the County:

Blended component unit – There is one blended component unit, which is accounted for as a special revenue fund, that is part of the government’s operations that provides services related to the building, repairing, reconstructing, maintenance, and regulation of the use of the public roads and for the purchase and maintenance of equipment, land and buildings to be used for that purpose. These services are provided by the Somerset County Roads Board (the “Roads Board”).

B. Basis of Presentation

The County’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the County except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County’s governmental activities and for business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the County.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 2. Summary of Significant Accounting Policies (continued)

FUND FINANCIAL STATEMENTS

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - The general fund is the general operating fund of the County. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The County's major special revenue funds are:

Somerset County Roads Board - The Roads Board has control over the public landings, culverts, ferries, roads, and related curbs and gutters in the County. The Roads Board is responsible for building, repairing, reconstructing, maintenance, and regulation of the use of the public roads and for the purchase and maintenance of equipment, land and buildings to be used for that purpose. The authorization to identify the specific purpose for which these funds are used rests with the Roads Board.

Economic Development Commission – The Economic Development Commission (“EDC”) is a not-for-profit organization established to enhance the economic viability of the Somerset County area by promoting business attractions, assisting with business retention and expansion projects and fostering the growth of tourist related projects that would create economic opportunity and growth for Somerset County. EDC is presented as a major governmental fund in these financial statements.

Hurricane Sandy CDBG Grants – The Hurricane Sandy CDBG Grants funding is to be used for Hurricane Sandy recovery efforts within the County. The grant includes funding for housing rehabilitation as well as economic development related improvements.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 2. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

In addition, the County has four non-major governmental funds: CDBG Programs, Special Loan Program, Opioid Restitution and Commission on Aging – SSTAP.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's major enterprise fund is:

Great Hope Golf Course - The golf course fund is used to account for all financial transactions, related to the operations of the Great Hope Golf Course, a community golf course.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the County in a trustee or custodial capacity. Custodial funds report fiduciary activities that are not required to be reported as another fiduciary fund type.

Trust and Custodial Funds – Trust and Custodial Funds are used to account for assets held by the County as an agent for other funds and/or other governments. These funds include the State Tax Fund, the Dental Fund, Retirees Health Fund, State's Attorney Funds which include the State's Attorneys Drug Bust Fund and the State's Attorneys County Property Federal Forfeiture Fund, and the Detention Center Funds which include the Somerset County Detention Center Commissary Fund and the Somerset County Detention Center Inmate Welfare Fund.

D. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest and rent.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that were not collected within the available period have been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The County, BOE, Library, and Sanitary District recognize deferred outflows of resources related to their pension obligations (see Note 9) and OPEB liability (Note 11) for changes in assumptions, difference between expected and actual experience, change in proportion and share of contributions, and net difference between projected and actual investment earnings. These amounts are deferred and recognized as outflows of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The County, BOE, Library, and Sanitary District also recognize deferred inflows of resources related to their pension obligations (see Note 9) and OPEB liability (see Note 11) for changes in assumptions, net difference between projected and actual investment earnings, change in proportion and share of contributions, and differences between expected and actual experience. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Budgetary Process

The County follows these procedures in establishing the General Fund budgetary data reflected in the financial statements:

- (1) Prior to April 30, the County Administrator submits to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes requested expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) No later than the first Tuesday in June, the budget is legally enacted through passage of a budget resolution.
- (4) The County Administrator is not authorized to make any transfers of budgeted amounts. Any commitments, which could result in a significant over-expenditure of an appropriation, must be approved by the County Commissioners.
- (5) Formal budgets are employed as a management control device during the year for the general fund and the Roads Board-special revenue fund. Annual budgets are legally adopted and presented in the budgetary comparison schedules for the general fund and Roads Board-special revenue fund.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 2. Summary of Significant Accounting Policies (continued)

G. Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

H. Property Tax

Property taxes are levied on July 1 and become delinquent on October 1. Taxes are assessed an interest penalty after September 30. Owner occupied residential property owners may pay their taxes annually or semiannually. The first payment must be paid by September 30. The second payment is due on or before December 31. If the second payment has not been paid by the due date, taxes are assessed interest and penalties. The County bills and collects its own taxes. County property tax revenue is recognized when collected.

I. Inventories

Board of Education inventories, consisting of expendable items held for consumption, are stated at the lower of cost or market. The cost is recorded as an expenditure item at the time the individual inventory items are used. Inventories of the Roads Board and the enterprise funds are stated at the lower of cost (moving average method) or market on a first-in, first-out basis.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

All reported capital assets except land and construction in progress are depreciated or amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization are computed using the straight-line method over the following useful lives:

	<u>Discretely Presented Component Units</u>				
	Governmental Activities	Business-Type Activities	Board of Education	Library	Sanitary District
Buildings and improvements	20 - 60 years	15 - 60 years	7 - 50 years	N/A	N/A
Improvements, non-buildings	10 - 60 years	7 - 30 years	20 years	N/A	N/A
Vehicles	3 - 10 years	N/A	8 years	N/A	3 - 12 years
Furniture, machinery and equipment	5 - 20 years	5 - 10 years	5 - 15 years	5 years	3 - 10 years
Library materials	N/A	N/A	N/A	10 years	N/A
Water and sewer plant, mains and lines	N/A	N/A	N/A	N/A	40 years
Water and sewer equipment	N/A	N/A	N/A	N/A	20 - 30 years

K. Compensated Absences

The County accrues a liability for vested compensated absences including vacation and compensatory time with various limitations on each type of compensated absence. All accrued compensated absences liabilities are recorded in the government-wide financial statements.

County employees earn annual leave based on length of service. Annual leave accumulates, and any unused portion is paid upon termination. Annual leave generally must be taken by December 31 each year. Up to 50 days may be transferred to the next fiscal year.

Sick leave for all County employees is earned at a rate of 6.67 hours per month. There is no limit on accumulated sick leave. At termination, employees are not paid for accumulated sick leave; however, at retirement, a portion may be used as additional credited service under the retirement plan.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 2. Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Position

Net position represents the difference between assets plus deferred inflows of resources and liabilities plus deferred outflows of resources. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

N. Fund Balance Reserves

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Nonspendable fund balances also consist of prepaid amounts.

Restricted – Amounts that can only be spent for specific purposes because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by the formal action of the County Commissioners' ordinances or resolutions.

Assigned – Amounts that are designated by the Commissioners or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 2. Summary of Significant Accounting Policies (continued)

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for golf course activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

P. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and fiduciary activities. These amounts are reflected as due to fiduciary funds.

R. New Accounting Policies

The County adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, at July 1, 2022. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The County did not have any arrangements that met the definition of a right-to-use subscription-based information technology arrangement at June 30, 2023.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 3. Deposits and Investments

A. Deposits

Primary Government

Deposits are maintained in a variety of financial institutions. The County Commissioners are authorized to invest unexpended revenue from taxation, bond sales, lawful distributions to it of funds from other governmental agencies, or any other funds properly received by them, until they determine the funds are needed for proper public purpose, in United States Government bonds or evidence of indebtedness, the Maryland Local Government Investment Pool, or in Federally insured banking institutions which pledge United States Treasury bills, notes or other obligations to secure such deposits.

At June 30, 2023, the Primary Government had deposits with various commercial banks of \$33,177,119 (carrying value \$32,366,495). As required by law, a depository is to pledge securities, in addition to Federal Deposit Insurance Corporation ("FDIC") insurance, at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts, which are held in the County's name by their trust departments or agents. At June 30, 2023 the deposits were fully insured or collateralized. Petty cash totaled \$1,490 as of June 30, 2023.

Board of Education

At June 30, 2023, the Board's demand deposits, savings deposits and certificates of deposit were covered by FDIC insurance in the amount of \$250,000 and \$5,042,810 (carrying value \$4,616,977) was collateralized with federal securities held by the bank's trust department, in the Board's name. The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

Library

At June 30, 2023 the Library had deposits with various commercial banks totaling \$330,260 (carrying value \$321,344), which were either fully insured or collateralized with securities held in the name of the Library.

Sanitary District

At June 30, 2023, the Sanitary District had deposits with various commercial banks totaling \$2,476,504 (carrying value \$1,821,543). All deposits were fully collateralized as of June 30, 2023.

Liquor Control Board

The Liquor Control Board was abolished as of January 1, 2023. At that time all cash balances were transferred to the County.

LMB

At June 30, 2023, the LMB had deposits with various commercial banks totaling \$505,199 (carrying value \$425,939). All deposits were fully insured as of June 30, 2023.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 3. Deposits and Investments (continued)

B. Investments

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a semi-annual basis and provide suggestions to enhance the pool. The MLGIP is rated AAAm by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2023, the County and the Library had investments in MLGIP of \$78,558 and \$51,688, respectively, which are recorded at fair value.

The County's exposure to investment rate and credit risk is minimal, as all investments are in cash, MLGIP, or certificates of deposit and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by having investments collateralized by securities as mentioned previously.

At June 30, 2023, the Library had investments in the Community Foundation of the Eastern Shore totaling \$82,436, which are recorded at fair value.

At June 30, 2023, the Sanitary District had certificates of deposit of \$295,451 reported separately as they represent a certificate with an original due date of more than 90 days. The certificates have a maturity of twelve months with interest rates ranging from .20% to .25%.

Note 4. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2023, appropriate due from/to other funds have been established.

Due from/to other funds balances as of June 30, 2023 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental activities	\$ 738,491	\$ 367,332
Business-type activities	-	124,565
Fiduciary fund	-	246,594
	\$ 738,491	\$ 738,491

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Transfers and Reductions	Balance June 30, 2023
Governmental Activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 4,469,361	\$ 1,621,634	\$ -	\$ 6,090,995
Construction in progress	1,987,063	59,819	(7,703)	2,039,179
Total capital assets, not being depreciated or amortized	6,456,424	1,681,453	(7,703)	8,130,174
Capital assets, being depreciated or amortized:				
Buildings and improvements	25,158,622	1,113,818	7,703	26,280,143
Improvements, non-buildings	69,967,953	621,338	(2,629)	70,586,662
Vehicles	5,621,801	419,837	(175,320)	5,866,318
Furniture, machinery and equipment	17,898,963	1,400,493	(287,457)	19,011,999
Right-to-use lease vehicles and equipment	-	771,140	-	771,140
Total capital assets, being depreciated or amortized	118,647,339	4,326,626	(457,703)	122,516,262
Less accumulated depreciation or amortization:				
Buildings and improvements	8,514,042	601,010	-	9,115,052
Improvements, non-buildings	45,904,097	1,405,725	(2,629)	47,307,193
Vehicles	4,793,004	261,904	(175,320)	4,879,588
Furniture, machinery and equipment	11,071,636	1,243,427	(287,457)	12,027,606
Vehicle and equipment leases	-	154,228	-	154,228
Total accumulated depreciation or amortization	70,282,779	3,666,294	(465,406)	73,483,667
Total capital assets, being depreciated or amortized, net	48,364,560	660,332	7,703	49,032,595
Governmental activities capital assets, net	\$ 54,820,984	\$ 2,341,785	\$ -	\$ 57,162,769
 Business-Type Activities:				
Great Hope Golf Course				
Capital assets, being depreciated:				
Land improvements	\$ 3,112,965	\$ -	\$ -	\$ 3,112,965
Buildings and improvements	1,372,150	-	-	1,372,150
Furniture, machinery and equipment	745,424	33,451	-	778,875
Total capital assets, being depreciated	5,230,539	33,451	-	5,263,990
Less accumulated depreciation:				
Land improvements	2,843,948	85,568	-	2,929,516
Buildings and improvements	798,546	22,630	-	821,176
Furniture, machinery and equipment	699,248	20,084	-	719,332
Total accumulated depreciation	4,341,742	128,282	-	4,470,024
Total capital assets, being depreciated, net	888,797	(94,831)	-	793,966
Business-type activities capital assets, net	\$ 888,797	\$ (94,831)	\$ -	\$ 793,966

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 5. Capital Assets (continued)

	Balance June 30, 2022	Additions	Transfers and Reductions	Balance June 30, 2023
Board of Education				
Capital assets, not being depreciated:				
Land	\$ 493,252	\$ -	\$ (5,650)	\$ 487,602
Construction in progress	212,715	260,150	(212,715)	260,150
Total capital assets, not being depreciated	705,967	260,150	(218,365)	747,752
Capital assets, being depreciated:				
Land improvements	3,613,577	271,893	(150,232)	3,735,238
Buildings and improvements	121,214,874	2,614,637	15,027	123,844,538
Vehicles	340,572	-	-	340,572
Furniture, machinery and equipment	4,362,237	445,271	197,688	5,005,196
Total capital assets, being depreciated	129,531,260	3,331,801	62,483	132,925,544
Less accumulated depreciation:				
Land improvements	3,145,712	64,640	(136,271)	3,074,081
Buildings and improvements	37,311,645	2,806,415	-	40,118,060
Vehicles	245,239	33,349	-	278,588
Furniture, machinery and equipment	2,929,871	209,482	-	3,139,353
Total accumulated depreciation	43,632,467	3,113,886	(136,271)	46,610,082
Intangible right-to-use assets:				
Leased equipment	-	714,447	-	714,447
Less accumulated amortization	-	102,488	-	102,488
Total intangible right-to-use assets, net	-	611,959	-	611,959
Total capital and intangible assets being depreciated, net	85,898,793	829,874	198,754	86,927,421
Total Board of Education capital and intangible assets, net	\$ 86,604,760	\$ 1,090,024	\$ (19,611)	\$ 87,675,173
	Balance June 30, 2022	Additions	Transfers and Reductions	Balance June 30, 2023
Library				
Capital assets, not being depreciated:				
Construction in progress	\$ 39,000	\$ -	\$ -	\$ 39,000
Total capital assets, not being depreciated	39,000	-	-	39,000
Capital assets, being depreciated:				
Books and media	779,582	95,183	(70,253)	804,512
Furniture, machinery and equipment	897,135	23,644	-	920,779
Vehicles	7,959	-	(7,959)	-
Total capital assets, being depreciated	1,684,676	118,827	(78,212)	1,725,291
Less accumulated depreciation:				
Books and media	376,528	79,205	(70,253)	385,480
Furniture, machinery and equipment	702,893	82,890	-	785,783
Buildings	6,235	663	(6,898)	-
Total accumulated depreciation	1,085,656	162,758	(77,151)	1,171,263
Total Library capital assets, net	\$ 638,020	\$ (43,931)	\$ (1,061)	\$ 593,028

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 5. Capital Assets (continued)

	Balance June 30, 2022	Additions	Transfers and Reductions	Balance June 30, 2023
Sanitary District				
Capital assets, not being depreciated:				
Land	\$ 17,512	\$ -	\$ -	\$ 17,512
Construction in progress	7,335,869	3,720,549	(4,342,623)	6,713,795
Total capital assets, not being depreciated	7,353,381	3,720,549	(4,342,623)	6,731,307
Capital assets, being depreciated:				
Sewage treatment plants and lines	39,557,019	-	-	39,557,019
Water plants and lines	17,960,536	4,342,624	(2,278,811)	20,024,349
Equipment and vehicles	3,850,364	86,126	(4,245)	3,932,245
Total capital assets, being depreciated	61,367,919	4,428,750	(2,283,056)	63,513,613
Less accumulated depreciation:				
Sewage treatment plants and lines	27,629,242	880,054	8,631	28,517,927
Water plants and lines	8,182,559	365,679	(2,169,961)	6,378,277
Equipment and vehicles	3,143,566	95,944	(12,877)	3,226,633
Total accumulated depreciation	38,955,367	1,341,677	(2,174,207)	38,122,837
Total capital assets, being depreciated, net	22,412,552	3,087,073	(108,849)	25,390,776
Total Sanitary District capital assets, net	\$ 29,765,933	\$ 6,807,622	\$ (4,451,472)	\$ 32,122,083
 Liquor Control Board				
Capital assets, being depreciated:				
Furniture, machinery and equipment	\$ 44,146	\$ -	\$ (44,146)	\$ -
Less accumulated depreciation:				
Furniture, machinery and equipment	14,255	-	(14,255)	-
Total Liquor Control Board capital assets, net	\$ 29,891	\$ -	\$ (29,891)	\$ -
Depreciation expense was charged to governmental functions as follows:				
General government		\$ 450,532		
Public safety		1,078,360		
Public works		1,793,872		
Recreation and culture		324,852		
Health		18,678		
Total depreciation or amortization expense		\$ 3,666,294		

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt

Notes payable and long-term debt at June 30, 2023 is comprised of the following issues:

	Interest <u>Rate</u>	Fiscal Year <u>Issued</u>	Fiscal Year <u>Matures</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>			
<u>Bonds and Notes Payable</u>			
Landfill Bond of 1997	4.50	1998	2030
USDA - Permanent Financing Cell 2	4.38	2004	2044
Bank of America - Board of Education Capital 2009	3.89	2008	2025
USDA - Cell 3 Loan 1	4.25	2009	2049
Truist Bank - Board of Education Capital 2010	2.13	2014	2024
USDA - Cell 4	2.13	2014	2043
Hebron Savings Bank - Board of Education/Library/Tax Collection	1.75	2017	2026
Bank of America-911 Equipmt Ln	2.77	2019	2029
Truist Bank - Bulldozer Loan	2.83	2019	2025
USDA - J. M. Tawes School Phase 1	2.75	2020	2040
USDA - J. M. Tawes School Phase 2	2.13	2021	2041
<u>Other</u>			
County Commissioners - financed purchase obligation	5.00	2018	2024
County Commissioners - financed purchase obligation	6.45	2019	2023
County Commissioners - financed purchase obligation	6.70	2020	2024
County Commissioners - financed purchase obligation	6.70	2020	2024
County Commissioners - financed purchase obligation	6.45	2020	2024
County Commissioners - landfill closure/post-closure care costs	-	-	-
Total Governmental Activities			
<u>Business -type Activities</u>			
<u>Other</u>			
County Commissioners - financed purchase obligation	3.32	2017	2023
County Commissioners - financed purchase obligation	4.80	2020	2025
County Commissioners - financed purchase obligation	8.00	2023	2027
County Commissioners - financed purchase obligation	8.02	2023	2028
Total Business - type Activities			

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt (continued)

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2023</u>	<u>Amount Due in One Year</u>
\$ 3,300,000	\$ 1,163,821	\$ -	\$ 128,189	\$ 1,035,632	\$ 134,114
1,765,000	1,316,566	-	36,711	1,279,855	38,100
2,300,000	482,425	-	187,326	295,099	194,473
2,200,000	1,817,350	-	38,053	1,779,297	39,695
4,075,000	590,732	-	443,399	147,333	145,505
3,799,000	2,927,434	-	110,399	2,817,035	112,588
3,000,000	1,488,930	-	303,500	1,185,430	308,946
4,000,000	2,816,227	-	387,907	2,428,320	396,010
400,000	208,455	-	67,535	140,920	69,467
4,000,000	3,612,159	-	163,140	3,449,019	166,556
3,400,000	3,191,773	-	142,472	3,049,301	145,349
25,391	4,758	-	4,758	-	-
101,427	21,510	-	21,510	-	-
26,372	10,856	-	5,252	5,604	5,604
13,030	5,284	-	2,557	2,727	2,727
33,345	13,727	-	6,641	7,086	7,086
-	2,421,910	65,000	-	2,486,910	30,980
<u>\$ 22,093,917</u>	<u>\$ 65,000</u>	<u>\$ 2,049,349</u>	<u>\$ 20,109,568</u>	<u>\$ 1,797,200</u>	
79,792	14,425	-	14,425	-	-
39,727	17,668	-	8,256	9,412	8,670
20,092	-	20,092	1,441	18,651	4,559
13,359	-	13,359	930	12,429	2,338
<u>\$ 32,093</u>	<u>\$ 33,451</u>	<u>\$ 25,052</u>	<u>\$ 40,492</u>	<u>\$ 15,567</u>	

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt (continued)

	<u>Interest Rate</u>	<u>Fiscal Year Issued</u>	<u>Fiscal Year Matures</u>
<u>Proprietary Fund Types</u>			
<u>Sanitary District</u>			
<u>Long-Term Debt</u>			
<u>General Bonded Debt</u>			
Infrastructure Bond	2.00-4.63	1994	2024
Fairmount-Rumbley-Frenchtown District	3.70	1994	2035
Crisfield Peripheral Sewer Project	4.00	1996	2035
Jacksonville Subdistrict	0.00	2005	2035
Princess Anne Subdistrict	4.13	2007	2047
Princess Anne Subdistrict	3.88	2013	2023
Princess Anne Subdistrict	3.50	2013	2053
Princess Anne Subdistrict	3.50	2013	2052
Princess Anne Subdistrict	3.13	2013	2053
Princess Anne Subdistrict	4.19	2013	2020
PASE Overrun Loan	3.50	2017	2026
Princess Anne Subdistrict	4.13	2021	2025
Princess Anne Subdistrict	4.05	2021	2042
Princess Anne Subdistrict	4.15	2021	2049
All subdistricts	4.75	2021	2026
All subdistricts	3.81	2021	2026
All subdistricts	3.81	2021	2026
Smith Island Subdistrict	1.38	2022	2061
Deal Island Subdistrict	0.40	2022	2051
Deal Island Subdistrict	0.40	2022	2031
Smith Island Subdistrict	0.80	2023	2039
All subdistricts	4.75	2023	2027
<u>State Loans</u>			
Water tanks - Princess Anne	5.80	1994	2027
Total Sanitary District			

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt (continued)

<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2023</u>
\$ 1,825,200	\$ 234,500	\$ -	\$ 115,500	\$ 119,000
333,000	148,500	-	9,000	139,500
323,000	181,500	-	10,500	171,000
32,000	13,867	-	1,067	12,800
2,770,900	2,198,549	-	51,929	2,146,620
80,000	145	-	145	-
1,228,250	1,090,452	-	20,042	1,070,410
427,118	379,192	-	6,970	372,222
2,525,900	2,222,005	-	43,520	2,178,485
30,000	447	-	447	-
100,000	34,809	-	10,826	23,983
222,732	48,872	-	16,807	32,065
578,000	560,500	-	18,500	542,000
3,276,000	3,212,500	-	68,000	3,144,500
21,000	15,439	-	3,368	12,071
22,618	16,652	-	4,421	12,231
170,000	125,166	-	33,237	91,929
83,012	81,822	-	1,587	80,235
57,701	55,694	-	2,026	53,668
64,204	64,204	-	-	64,204
50,000	-	50,000	-	50,000
26,650	-	26,650	4,102	22,548
 327,411	 114,464	 -	 16,492	 97,972
 \$ 10,799,279	 \$ 76,650	 \$ 438,486	 \$ 10,437,443	

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt (continued)

A summary of debt service requirements to maturity by years for long-term debt is approximately as follows:

Primary Government

Years Ending June 30,	Principal	Interest	Total
2024	\$ 1,797,200	\$ 487,456	\$ 2,284,656
2025	1,581,046	445,816	2,026,862
2026	1,446,033	400,228	1,846,261
2027	1,400,967	361,811	1,762,778
2028	1,192,598	325,992	1,518,590
2029 - 2033	5,383,843	1,234,822	6,618,665
2034 - 2038	3,630,329	774,751	4,405,080
2039 - 2043	2,680,733	311,074	2,991,807
2044 - 2048	786,303	80,653	866,956
2049 - 2053	210,516	826	211,342
Total governmental activities	\$ 20,109,568	\$ 4,423,429	\$ 24,532,997
Years Ending June 30,	Principal	Interest	Total
2024	\$ 15,567	\$ 2,507	\$ 18,074
2025	8,210	1,669	9,879
2026	8,089	1,046	9,135
2027	6,780	394	7,174
2028	1,846	50	1,896
Total business-type activities	\$ 40,492	\$ 5,666	\$ 46,158

Interest expense on all indebtedness totaled \$539,713 for governmental activities and \$1,911 for business-type activities.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 6. Notes Payable and Long-Term Debt (continued)

Discretely Presented Component Units

Sanitary District

Years Ending June 30,	Principal	Interest	Total
2024	\$ 455,962	\$ 390,907	\$ 846,869
2025	347,785	374,252	722,037
2026	315,133	360,453	675,586
2027	296,061	348,631	644,692
2028	302,576	336,840	639,416
2029 - 2033	1,638,975	1,507,554	3,146,529
2034 - 2038	1,801,486	1,181,036	2,982,522
2039 - 2043	2,041,339	815,581	2,856,920
2044 - 2048	2,136,867	409,120	2,545,987
2049 - 2053	1,080,319	81,188	1,161,507
2054 - 2058	12,481	1,039	13,520
2059 - 2063	8,459	201	8,660
 Total Sanitary District	 \$ 10,437,443	 \$ 5,806,802	 \$ 16,244,245

Sanitary District

Notes payable of the Sanitary District consists of unsecured demand notes due a bank. Amounts borrowed are used to pay construction costs until either the Federal or State grant amounts are received, or until long-term financing can be obtained for the local share portion of project costs.

During the year ended June 30, 2021, the Sanitary District refinanced three Community Development Infrastructure Bonds. As a result, \$97,294 of issuance costs and \$780,163 in bond premiums were incurred. Amortization of the debt issuance costs, and debt bond premiums are reported as interest expense. Unamortized bond premiums totaled \$692,533 at June 30, 2023 and are included in bonds, notes and capital leases payable due in more than one year on the statement of net assets.

Interest expense on all indebtedness totaled \$391,611 for the Sanitary District.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 7. Lease Commitments

Primary Government

Financed Purchases

The County has entered into six long-term financed purchase agreements for the purpose of acquiring equipment and vehicles. Since these leases are financing arrangements which transfer ownership at the end of the term, the County has recorded these obligations and the related assets in the appropriate fund. The original cost of assets acquired under these capital leases is \$167,052 with accumulated depreciation of \$71,053.

Operating Leases

During fiscal year 2023, the County entered into operating lease agreements for vehicles and copiers. Payments under these leases total approximately \$167,805 per year and expire in fiscal year 2027. For purposes of discounting future payments on these leases the County used its incremental borrowing rate in place at the time of lease inception of 2.88%. The leased vehicles and equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Minimum lease payments on vehicles and copiers over the next five years are as follows:

	Principal	Interest	Total
2024	\$ 149,789	\$ 18,016	\$ 167,805
2025	154,103	13,702	167,805
2026	158,542	9,264	167,806
2027	163,110	4,697	167,807
2028	-	-	-
Total	<u>625,544</u>	<u>45,679</u>	<u>671,223</u>

Interest expense on the above intangible right-to-use assets was approximately \$22,209 for the year ended June 30, 2023.

BOE

Operating Leases

During 2023, the Board entered into five-year lease agreements for copiers, a postage machine, and vehicles. Payments under the copier, postage machine and vehicle lease total \$100,235, \$3,745 and \$57,322 per year, respectively. For purposes of discounting future payments on the copier and postage machine leases, the incremental borrowing rate of 4.75% and 8.00%, respectively, were used. For purposes of discounting future payments on the vehicle leases, the Board used the implicit rate found in each vehicle lease agreement which ranges from 4.60% to 5.40%.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 7. Lease Commitments (continued)

BOE (continued)

Minimum lease payments over the next five years are as follows:

	Principal	Interest	Total
2024	\$ 133,905	\$ 27,397	\$ 161,302
2025	140,562	20,740	161,302
2026	147,554	13,748	161,302
2027	154,897	6,405	161,302
2028	44,825	989	45,814
Total	<u>621,743</u>	<u>69,279</u>	<u>691,022</u>

Liquor Control Board

The Liquor Control Board was abolished as of January 1, 2023. At that time all leases were cancelled.

LMB

Operating Leases

The LMB entered into operating lease agreement for copiers during 2021. Payments under these leases total approximately \$1,400 per year and expire in fiscal year 2026. For purposes of discounting future payments on these leases the LMB used its incremental borrowing rate in place at the time of lease inception of 5.00%.

Minimum lease payments over the next five years are as follows:

	Principal	Interest	Total
2024	\$ 1,152	\$ 248	\$ 1,400
2025	1,210	190	1,400
2026	1,270	130	1,400
2027	1,333	67	1,400
2028	-	-	-
Total	<u>4,965</u>	<u>635</u>	<u>5,600</u>

Interest expense on the above intangible right-to-use asset was approximately \$250 for the year ended June 30, 2023.

In November 2019, the LMB entered into an agreement with the County for office space. Under the terms of the agreement, the LMB uses the premises, paying \$1 upfront for the entire term.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 7. Lease Commitments (continued)

Library

Operating Leases

The Library entered into operating lease agreement for copiers during 2023. Payments under the lease total approximately \$3,800 per year and expire in fiscal year 2028. For purposes of discounting future payments on these leases the Library used its incremental borrowing rate in place at the time of lease inception of 5.00%.

Minimum lease payments over the next five years are as follows:

		Principal	Interest	Total
2024	\$ 3,041	\$ 791	\$ 3,832	
2025	3,193	639	3,832	
2026	3,352	480	3,832	
2027	3,520	312	3,832	
2028	2,734	136	2,870	
Total	<u>15,840</u>	<u>2,358</u>	<u>18,198</u>	

Interest expense on the above intangible right-to-use asset was approximately \$80 for the year ended June 30, 2023.

Note 8. Net Position

Sanitary District

Restricted for debt service - This restriction was created to segregate a portion of net position for debt service, including both principal and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans

Virtually all full and eligible part-time employees of Somerset County, Maryland and its agencies are covered by the Maryland State Retirement and Pension Systems. The various plans and plan participants are outlined below:

<u>Employees</u>	<u>Plan</u>
Board of Education – regular employees	Employees System
Board of Education – teachers	Teachers System
Library	Teachers System
Somerset County:	
County employees and appointed officers	Employees System
Economic Development Commission	Employees System
Law enforcement officers	LEOPS

The system is a cost sharing multiple-employer defined benefit pension plan.

Maryland State Retirement and Pension System

Organization

The State Retirement Agency (the "Agency") is the administrator of the Maryland State Retirement and Pension System (the "System"). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The State Pool consists of State agencies, boards of education, community colleges, and libraries. The Municipal Pool consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System ("LEOPS").

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting in accordance with GAAP. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Covered Members

Teachers' Retirement and Pension Systems

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

The Law Enforcement Officers' Pension System (LEOPS)

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' AFC and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

The member contribution rate for members of the Teachers' Retirement Pension System and Employees' Retirement Pension System is 7% and 6% respectively, and 7% for members of the Law Enforcement Officers' Pension system. The member contribution rate for members of the Judges' Retirement System is 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the fair value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2021, are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formula. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems ("TRS"/"ERS") the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5%, or a two-part combination COLA depending upon the COLA election made by the member. With certain exceptions, effective July 1, 1998, for Teachers' and Employees' retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year fair value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.25%; including wage inflation
Investment Rate of Return	6.80%
Discount Rate	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	15%	5.2%
Absolute Return	6%	3.5%
Total	<u>100%</u>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.80%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 5.80%	Current Discount	1% Increase to 7.80%
County	\$ 12,267,935	\$ 7,995,691	\$ 4,450,720
Board of Education	5,166,656	3,367,396	1,874,426
Sanitary District	1,536,600	1,001,493	557,467

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the 100% of the normal cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, for the fiscal year ending June 30, 2023, the BOE contributed \$1,323,733 to the Teachers' Retirement and Pension System. In addition, the State of Maryland contributed \$2,553,772 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Because the State of Maryland pays the unfunded liability for the Teachers' Systems on behalf of the BOE and Library, and the BOE pays the normal cost for the Teachers' Systems, the BOE and Library are not required to record their respective shares of the unfunded pension liability for the Teachers' Systems – the State of Maryland is required to record that liability. The BOE is required to record a liability for the Employees' Systems.

At June 30, 2023, the BOE reported a liability for its proportionate share of the net pension liability. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 3,367,396
State's proportionate share of the net pension liability (Teachers' Systems)	25,357,193
Total	\$ 28,724,589

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

At June 30, 2023, the County reported the following related to pensions:

	<u>BOE</u>	<u>County</u>	<u>Sanitary</u>
Employer's proportion (percentage) of the collective net pension liability	0.0168298%	0.0399614%	0.0050053%
Employer's proportionate share of the collective net pension liability	\$ 3,367,396	\$ 7,995,691	\$ 1,001,493
Pension expense recognized by the employer for the year ended June 30, 2023	414,782	657,792	160,789
Deferred inflows of resources:			
Difference between expected and actual experience	240,406	570,830	68,977
Change in assumptions	33,939	80,585	9,313
Change in proportion and share of contributions	-	-	7,433
Net difference between projected and actual earnings on pension plan investments	10,198	24,216	-
Deferred inflows of resources at June 30, 2023	284,543	675,631	85,723
Deferred outflows of resources:			
Net difference between projected and actual earnings on pension plan investments	-	-	31,426
Change in assumptions	375,437	891,455	97,213
Change in proportion and share of contributions	749,148	486,044	81,091
Year ended June 30, 2023 contributions	458,111	1,184,633	123,747
Deferred outflows of resources at June 30, 2023	1,582,696	2,562,132	333,477
Net pension liability June 30, 2022	2,205,659	5,824,930	651,774
Change in net pension liability factored for contributions	1,161,737	2,170,761	349,719
Net pension liability June 30, 2023	3,367,396	7,995,691	1,001,493

The \$458,111, \$1,184,633 and \$123,747 of deferred outflows of resources resulting from the BOE's, the County's and the Sanitary District's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2024. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.49 to 5.72 years. The net difference in investment earnings is being amortized over a closed five-year period.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

The County, BOE's, and Sanitary District's respective deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

County

	<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
	2024	\$ 62,143
	2025	66,703
	2026	(53,246)
	2027	638,728
	2028	(12,460)
	<u>Total</u>	<u>\$ 701,868</u>

Board of Education

	<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
	2024	\$ 163,928
	2025	165,848
	2026	115,332
	2027	369,947
	2028	24,987
	<u>Total</u>	<u>\$ 840,042</u>

Sanitary District

	<u>Year Ended June 30,</u>	<u>Net Deferred (Inflows) Outflows</u>
	2024	\$ 1,667
	2025	500
	2026	(11,594)
	2027	69,436
	2028	63,998
	<u>Total</u>	<u>\$ 124,007</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 9. Retirement and Pension Plans (continued)

Covered payroll refers to all compensation paid to active employees covered by the Systems.

System	1% Decrease to 5.80%	Current Discount	1% Increase to 7.80%
County	\$ 12,267,935	\$ 7,995,691	\$ 4,450,720
Board of Education	5,166,656	3,367,396	1,874,426
Sanitary District	1,536,600	1,001,493	557,467

Pension contributions made by the State of Maryland on behalf of the Board of Education and the Library are recognized as both revenue and expenditure.

The net pension liability of the Roads Board and Golf Course at June 30, 2023 has not been separately identified by the Maryland State Retirement and Pension System. However, this liability has been included in the net pension liability of \$7,995,691 for Governmental Activities on the County's Statement of Net Position at June 30, 2023.

Note 10. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by Nationwide Retirement Solutions Incorporated (NRS).

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

A summary of the activity in the plan for the year ended June 30, 2023, is as follows:

Balance, beginning of year	\$ 3,531,249
Employee contributions	235,234
Earnings on investments	365,211
Distributions	(41,676)
Balance, end of year	<u>\$ 4,090,018</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits

Plan Description and Benefits Provided

The County and Board of Education administer a single-employer defined benefit healthcare plan ("the Plan"). The Plan provides healthcare insurance for eligible retirees and their spouses through the County's and Board of Education's group health insurance plan, which covers both active and retired members.

The County's employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2022, the date of the last actuarial valuation, approximately 72 retirees were receiving benefits and an estimated 132 active employees were potentially eligible to receive future benefits.

The Board of Education's benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teacher's pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2022, the date of the last actuarial valuation, approximately 204 retirees were receiving benefits, and an estimated 428 active employees are potentially eligible to receive future benefits.

The Library's employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2022, the date of the last actuarial valuation, approximately 5 retirees were receiving benefits and an estimated 10 active employees were potentially eligible to receive future benefits.

The Sanitary District's employees are eligible to participate in the Plan upon retirement at the appropriate ages and years of service. As of June 30, 2022, the date of the last actuarial valuation, approximately 2 retirees were receiving benefits and an estimated 19 active employees were potentially eligible to receive future benefits.

Funding Policy

The County and Library pay retiree healthcare premiums based on the plan selected. The County and Library pay 90% of the premium for individual plans and 75% of the premium for family plans. The retiree pays the remaining premium. For fiscal year 2023, the County and Library contributed \$374,574 and \$35,516 to the plans for 72 and 5 eligible retirees, respectively.

The Board of Education will pay for 50% not to exceed \$300 per month of the individual premium for the life of the retiree. Eligible dependents may be covered with the retiree paying 100% of the premium. If the retiree decides to opt out and find insurance elsewhere, the Board will provide a stipend of \$1,500 annually towards the cost of insurance. Also, spouses of employees that retire after 7/1/2018 will not be covered under the plan. The spouse must find coverage elsewhere. Spouses of employees that retired prior to 7/1/2018 are grandfathered into the plan. For fiscal year 2023, the Board of Education contributed \$470,021 to the plan for 204 eligible retirees.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

Net OPEB Liability

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

The total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County, Board of Education, Library and Sanitary District's total OPEB liability as of June 30, 2023:

Total OPEB Liability	County	Board of Education	Library	Sanitary District
Balance at 6/30/2022	\$ 19,442,552	\$ 19,549,286	\$ 1,015,951	\$ 130,861
Changes for the year:				
Service cost	856,230	835,516	45,321	9,984
Interest cost	681,694	683,798	35,341	4,425
Differences between expected and actual experience	-	-	-	-
Changes of assumptions and other inputs	(1,814,456)	(1,567,414)	(107,168)	(8,079)
Contributions - employer	-	-	-	-
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(374,574)	(470,021)	(35,516)	(11,823)
Administrative expense	-	-	-	-
Other changes	-	-	-	-
Net changes	<u>(651,106)</u>	<u>(518,121)</u>	<u>(62,022)</u>	<u>(5,493)</u>
Balances at 6/30/2023	\$ 18,791,446	\$ 19,031,165	\$ 953,929	\$ 125,368

Funding Status and Funding Progress

As of June 30, 2023, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$18,791,446, \$19,031,165, \$953,929 and \$125,368 for the County, Board of Education, Library and Sanitary District, respectively, all of which was unfunded. The covered employee payroll was \$7,692,169, \$30,507,970, \$337,872 and \$1,035,138, for the County, Board of Education, Library and Sanitary District, respectively, and the ratio of the net OPEB liability to the covered employee payroll was 244.29%, 62.38%, 282.33% and 12.11% for the County, Board of Education, Library and Sanitary District, respectively.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of total OPEB liability, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the total OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

Actuarial Assumptions and Discount Rate

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date:	June 30, 2023
Actuarial valuation date:	June 30, 2022
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability was 4.13 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2023. The prior valuation used 3.54% from the GO Bond Buyer Index.
Mortality:	Pub -2010 General Headcount-weighted with fully generational scale MP-2021. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.
Turnover:	T7 Standard Table. Based on professional judgement of the actuary
Salary scale:	3% based on input from the plan sponsor

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The County selected a June 30, 2023 measurement date for fiscal year ended 2023. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

Sensitivity of the Total OPEB Liability

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Discount Rate	Total OPEB Liability				Sanitary District
	County	Board of Education	Library		
1% decrease	3.13%	\$ 21,959,540	\$ 21,667,656	\$ 1,142,858	\$ 138,796
Current discount Rate	4.13%	\$ 18,791,446	\$ 19,031,165	\$ 953,929	\$ 125,638
1% increase	5.13%	\$ 16,278,175	\$ 16,723,720	\$ 808,853	\$ 114,076

The following table presents the net OPEB liability of the County, Board of Education, Library and Sanitary District using the health care trend rate of 7.5%, decreasing to 4.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

Health Care Cost Trend Rate	Total OPEB Liability				Sanitary District
	County	Board of Education	Library		
1% decrease	6.5% to 3.5%	\$ 16,024,292	\$ 18,042,631	\$ 795,890	\$ 110,339
Current discount Rate	7.5% to 4.5%	\$ 18,791,446	\$ 19,031,165	\$ 953,929	\$ 125,638
1% increase	8.5% to 5.5%	\$ 22,331,748	\$ 20,065,604	\$ 1,164,092	\$ 144,986

OPEB Expense

For fiscal year ended June 30, 2023, the County, Board of Education, Library and Sanitary District recognized an OPEB expense (benefit) on the government-wide statements of \$615,822, \$1,879,930, \$51,592 and \$5,417, respectively.

Deferred Inflows/Outflows of Resources related to OPEB

The County, Board of Education, Library, and Sanitary District respectively reported deferred outflows and inflows of resources related to OPEB from the following sources.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

County	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (2,617,036)
Changes of assumptions	<u>1,823,413</u>	<u>(3,945,980)</u>
Total	<u><u>\$ 1,823,413</u></u>	<u><u>\$ (6,563,016)</u></u>
Board of Education	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 227,619	\$ (413,319)
Changes of assumptions	<u>4,698,615</u>	<u>(3,862,213)</u>
Total	<u><u>\$ 4,926,234</u></u>	<u><u>\$ (4,275,532)</u></u>
Library	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (182,824)
Changes of assumptions	<u>121,226</u>	<u>(262,334)</u>
Total	<u><u>\$ 121,226</u></u>	<u><u>\$ (445,158)</u></u>
Sanitary District	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (53,596)
Changes of assumptions	<u>8,811</u>	<u>(12,706)</u>
Total	<u><u>\$ 8,811</u></u>	<u><u>\$ (66,302)</u></u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

The County's, Board of Education's, Library's, and Sanitary District's respective deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized as follows:

County

Year Ended June 30,	Netted Outflows/ (Inflows)
2024	\$ (922,102)
2025	(1,079,787)
2026	(1,313,148)
2027	(1,155,645)
2028	(268,921)
Thereafter	-
	<u>\$ (4,739,603)</u>

Board of Education

Year Ended June 30,	Netted Outflows/ (Inflows)
2024	\$ 360,616
2025	360,616
2026	247,821
2027	221,705
2028	(241,804)
Thereafter	(298,252)
	<u>\$ 650,702</u>

Library

Year Ended June 30,	Netted Outflows/ (Inflows)
2024	\$ (31,428)
2025	(38,885)
2026	(62,448)
2027	(76,658)
2028	(75,659)
Thereafter	(38,854)
	<u>\$ (323,932)</u>

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 11. Other Post-Employment Benefits (continued)

Sanitary District

Year Ended June 30,	Netted Outflows/ (Inflows)
2024	\$ (8,992)
2025	(9,160)
2026	(9,408)
2027	(9,799)
2028	(10,576)
Thereafter	(9,556)
	<hr/>
	\$ (57,491)

Note 12. Volunteer Firemen Pension Plan Volunteer Service Award Program (VSAP)

The County contributes to the VSAP for the chartered fire and ambulance company's personnel of Somerset County, a single-employer noncontributory trust fund. Any person who is certified as an active member with any Somerset County volunteer fire or approved ambulance company is eligible to participate. Active members who attain age 62 and have completed 25 years of certified volunteer service shall receive \$50 per month, for a maximum benefit of 60 months for a total award of \$3,000. Volunteers qualified for participation receive award payments semiannually and award payments cease upon death. Benefit provisions and all other requirements are established by the chartered fire and ambulance companies and approved by the Commissioners as authorized by the State's legislative assembly. The County contributes all the amounts necessary to fund the payments of benefits under the VSAP. The plan liability is immaterial and therefore not included in the financial statements.

Note 13. Risk Management

Primary Government

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For general, property, excess and environmental liability coverage, the County became a member of the Maryland Local Government Insurance Trust (L GIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

Subscribers to coverage by LGIT share in the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. The County may be required to make additional assessments from time to time. These amounts would be recorded as an expenditure when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

**SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023**

Note 13. Risk Management (continued)

The County is fully insured for workers' compensation through commercial insurance, and employees are bonded to limit the loss to the County in the event of employees committing acts of embezzlement or theft.

There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Board of Education

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards' of Education Group Insurance Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for fourteen of the twenty-four Boards of Education in the State of Maryland. The Pool was formed in 1986 when several of the boards of education through Maryland joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in 2000. The Board pays an annual premium to the Pool for its property and casualty insurance coverage. It is intended for the Pool to be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement.

Should the Pool encounter deficits in its casualty and/or property funds, the deficit(s) may be made up from additional assessments of boards participating in the deficit pool in an amount equal to the ratio of each board's annual premium to the total annual premium contributed by all boards in the year in which the deficit occurred.

The Board continues to carry commercial insurance for all other risks of loss, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 7% of total premiums. Currently, ESMEC keeps on hand 10.5% as recommended conservative reserve. As of January 2023, the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$598,083. All funds held by ESMEC are restricted to being used only for health care expenses.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 14. On-Behalf Payments

Board of Education

The State of Maryland contributed \$2,553,772 into the State Retirement System on behalf of the Board's teachers during the year ended June 30, 2023, and the amount is reported as both revenues and expenditures on the statement of activities.

Library

The State of Maryland contributed \$74,248 into the State Retirement System on behalf of the Library's employees during the year ended June 30, 2023, and the amount is reported as both revenues and expenditures on the statement of activities.

Primary Government

In the normal course of operations, the County receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 15. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the financial position of the County.

The County Commissioners have guaranteed certain obligations of the Sanitary District.

Sanitary District

The Sanitary District participates in a number of Federal and State assisted programs. These programs primarily consist of grants and loans from the U.S. Departments of Agriculture and Environmental Protection and the Maryland Department of the Environment. These programs are subject to program compliance audits by the grantors or their representatives. The audit for open programs has not yet been concluded.

Accordingly, the Sanitary District's compliance with the applicable grant requirements will be established at some future date. The amount, if any, of expenditures for projects which may be disallowed by the granting agencies cannot be determined at this time although the Sanitary District expects such amount, if any, to be immaterial.

Princess Anne Subdistrict

The Princess Anne area experienced significant growth with substantial infill being built out. Growth has slowed as expected with a 90% drop in hook up applications.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 15. Commitments and Contingencies (continued)

Princess Anne Subdistrict (continued)

The Princess Anne sewer system has adequate sewer allocation at this time. The Maryland Department of the Environment (MDE) and the District have entered into a schedule to upgrade the Princess Anne Wastewater Treatment Plant for 5-Day Biochemical Demand and Total Nitrogen Removal. The upgrade is estimated to cost \$20,000,000. MDE has set aside funds to assist with these costs.

The phosphorus amounts removed by the plant are generally at the limits of technology. The permit limit is currently a combination of loading and concentration limits for nitrogen and phosphorus. The wastewater plant currently meets the discharge permit. The MDE imposes fines for exceeding the discharge permit.

To further ensure that permit limits will not be exceeded, and that the water and sewer system is not over-burdened, all new Princess Anne construction is approved on a project-by-project basis. The District has entered into a verbal agreement with the Town of Princess Anne not to issue building or occupancy permits until the District approves all plans within town limits.

The Somerset County Technical and Community Services Office, in conjunction with the District, approves out-of-town building and occupancy permits and compliance with State created property funding areas (PFA's).

Smith Island

Smith Island sewage facilities are currently under construction as planned. The new Pumping Stations have been installed and are operational at Ewell, Rhodes Point and Tylerton. The deck for the new Wastewater Treatment Plant at Ewell has been completed. The new Wastewater Treatment Plant at Ewell is under construction with a projected completion date of September 2024. The force main connecting Tylerton to the Ewell WWTP allowing for the decommissioning of the Tylerton WWTP has started and has a projected completion date of April 2024.

The MDE approved a grant/loan funding for the upgrade and improvement projects at Smith Island and Deal Island. Funding issues have delayed completion of the project; therefore, the Tylerton Wastewater Treatment Plant continues to operate with compliance issues that will be resolved with the completion of the project.

Fairmount Subdistrict

The service for sewer of this subdistrict will run through the Princess Anne subdistrict.

The Fairmount Decommissioning Project has been completed. All flow from the Fairmount Sewer System is now pumped to the Princess Anne Wastewater Treatment Plant for treatment. This treatment includes nitrogen and phosphorus removal.

SOMERSET COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ending June 30, 2023

Note 16. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the County to perform certain maintenance and monitoring functions at its landfill sites following closure.

The County's Westover Landfill was at full capacity as of June 30, 1998 and capping and closure of that project was completed in 2005. The estimated post-closure care costs for a thirty year period of \$929,410 have been included in long-term debt at June 30, 2023. Post-closure care costs will be paid from General Fund revenues.

The Fairmount Road Landfill was opened in January 1998. Closure costs and post-closure care costs are estimated at \$1,080,894 and \$929,410, respectively. At June 30, 2023 approximately 77% of the landfill capacity had been used. Under the prescribed allocation method determined annually based on the landfill capacity used to date, \$1,557,500 has been included in long-term debt.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2022. The County expects to satisfy these requirements as of June 30, 2023 using the same criteria.

Note 17. Prior Period Restatement

Sanitary District

During the year ended June 30, 2023, there were retrospective changes made to the accounting for grant receivables and advances to subdistrict for the year ended June 30, 2022. These changes resulted in a decrease in grant receivables of \$40,546 and a decrease in advances to subdistrict of \$7,392. The net impact of \$33,154 resulted in a decrease in net position at June 30, 2022 from \$20,485,486 to \$20,452,232.

REQUIRED SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
Year Ended June 30, 2023

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Taxes	\$ 28,775,295	\$ 31,039,050	\$ 2,263,755
Licenses and permits	186,800	200,838	14,038
Intergovernmental	15,975,633	14,506,243	(1,469,390)
Charges for services	2,040,500	2,256,508	216,008
Miscellaneous	442,629	1,071,180	628,551
Total revenue	47,420,857	49,073,819	1,652,962
EXPENDITURES			
General government	13,836,302	11,917,109	1,919,193
Public safety	10,053,615	10,837,321	(783,706)
Public works	4,906,553	3,153,581	1,752,972
Health	1,151,835	1,114,754	37,081
Social services	76,800	94,935	(18,135)
Education	10,981,232	10,879,065	102,167
Recreation and culture	2,447,333	3,225,528	(778,195)
Conservation of natural resources	78,692	72,450	6,242
Intergovernmental	223,587	180,910	42,677
Debt service	2,597,739	2,589,062	8,677
Total expenditures	46,353,688	44,064,715	2,288,973
Excess of revenue (under) over expenditures	1,067,169	5,009,104	3,941,935
OTHER FINANCING SOURCES (USES)			
Operating transfers, net	(4,544,222)	(3,653,500)	890,722
Fund balance appropriated	3,477,053	-	(3,477,053)
Total other financing sources (uses)	(1,067,169)	(3,653,500)	(2,586,331)
Net change in fund balance	\$ -	1,355,604	\$ 1,355,604
Fund balance - beginning		<u>23,295,198</u>	
Fund balance - ending		<u>\$ 24,650,802</u>	

***Right-to-use revenues and expenditures are excluded*

SOMERSET COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND BUDGETARY BASIS
 ROADS BOARD
 Year Ended June 30, 2023

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUE			
Taxes	\$ 714,291	\$ 678,084	\$ (36,207)
State of Maryland funding	250,000	250,000	-
Charges for services	822,026	508,051	(313,975)
Interest	2,000	4,101	2,101
Miscellaneous	5,000	38,494	33,494
Total revenue	1,793,317	1,478,730	(314,587)
EXPENDITURES			
Current	5,324,742	3,726,495	1,598,247
Capital outlay	465,743	599,521	(133,778)
Total expenditures	5,790,485	4,326,016	1,464,469
(Deficiency) excess of revenue over expenditures	(3,997,168)	(2,847,286)	1,149,882
OTHER FINANCING SOURCES			
Operating transfers, net	3,717,168	3,000,000	(717,168)
Total other financing sources	3,717,168	3,000,000	(717,168)
Excess (deficiency) of revenue and other financing sources over expenditures	\$ (280,000)	\$ 152,714	\$ 432,714

SOMERSET COUNTY, MARYLAND

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(as of measurement date)

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL	Employer's Proportionate Share of the Collective NPL	Employer's Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position (in \$000's)	Plan's Total Pension Liability (in \$000's)	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
	A	B	C	(B / C)	D	E	
June 30, 2022	0.0399614%	\$ 7,995,691	\$8,635,872	92.59%	\$64,310,991	\$84,319,523	76.27%
June 30, 2021	0.0388269%	\$ 5,824,930	\$8,363,852	69.64%	\$67,604,500	\$82,606,805	81.84%
June 30, 2020	0.0367690%	\$ 8,310,296	\$8,404,595	98.88%	\$54,586,037	\$77,187,397	70.72%
June 30, 2019	0.0381021%	\$ 7,858,789	\$8,225,518	95.54%	\$53,943,420	\$74,569,030	72.34%
June 30, 2018	0.0352109%	\$ 7,387,809	\$8,217,384	89.90%	\$51,827,233	\$72,808,833	71.18%
June 30, 2017	0.0310368%	\$ 6,711,297	\$7,752,541	86.57%	\$48,987,184	\$70,610,885	69.38%
June 30, 2016	0.0325863%	\$ 7,688,418	\$7,468,424	102.95%	\$45,365,927	\$68,959,954	65.79%
June 30, 2015	0.0358530%	\$ 7,450,863	\$7,859,269	94.80%	\$45,789,840	\$66,571,552	68.78%
June 30, 2014	0.0335765%	\$ 5,958,734	\$7,816,818	76.23%	\$45,339,988	\$63,086,719	71.87%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is

SOMERSET COUNTY, MARYLAND

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

SCHEDULE OF CONTRIBUTIONS
(as of fiscal year)

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2023	\$ 1,184,633	\$ 1,184,633	\$ -	\$ 9,113,180	13.00%
2022	912,040	912,040	-	8,635,872	10.56%
2021	855,561	855,561	-	8,363,852	10.23%
2020	788,351	788,351	-	8,404,595	9.38%
2019	740,297	740,297	-	8,225,518	9.00%
2018	702,132	702,132	-	8,217,384	8.54%
2017	631,704	631,704	-	7,752,541	8.15%
2016	634,808	634,808	-	7,468,424	8.50%
2015	755,684	755,684	-	7,859,269	9.62%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

SOMERSET COUNTY, MARYLAND

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS June 30, 2023

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary Increases	2.75% to 11.25%; including wage inflation
Investment Rate of Return	6.80%
Discount Rate	6.80%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

SOMERSET COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

SCHEDULE OF CHANGES IN THE COUNTY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

As of June 30,	2018	2019	2020	2021	2022	2023	Fiscal Year
Total OPEB liability							
Service cost	\$ 720,750	\$ 748,001	\$ 818,901	\$ 1,082,153	\$ 1,121,878	\$ 856,230	
Interest	655,991	697,598	708,633	502,844	512,337	681,694	
Differences between expected and actual experience	-	-	(3,503,158)	-	(2,180,694)	-	
Change of assumptions and other inputs	-	1,097,167	4,820,198	(234,604)	(3,523,131)	(1,814,456)	
Benefit payments	(278,931)	(324,750)	(318,741)	(356,665)	(412,047)	(374,574)	
Net change in OPEB liability	1,097,810	2,218,016	2,525,833	993,728	(4,481,657)	(651,106)	
Total OPEB liability - beginning of year	17,088,822	18,186,632	20,404,648	22,930,481	23,924,209	19,442,552	
Total OPEB liability - ending of year (a)	\$18,186,632	\$20,404,648	\$22,930,481	\$23,924,209	\$19,442,552	\$18,791,446	
 Plan fiduciary net position							
Contributions - employer	\$ 285,129	\$ 331,798	\$ 318,741	\$ 356,665	\$ 412,047	\$ 374,574	
Benefit payments	(285,129)	(331,798)	(318,741)	(356,665)	(412,047)	(374,574)	
Net change in plan fiduciary net position	-	-	-	-	-	-	
Plan fiduciary net position - beginning of year	-	-	-	-	-	-	
Plan fiduciary net position - ending of year (b)	\$ -						
 County's net OPEB liability - end of year (a) - (b)	\$18,186,632	\$20,404,648	\$22,930,481	\$23,924,209	\$19,442,552	\$18,791,446	
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%	
 Covered employee payroll	\$ 6,455,255	\$ 6,816,511	\$ 6,685,468	\$ 6,526,615	\$ 6,865,183	\$ 7,692,169	
County's net OPEB liability as a percentage of covered employee payroll	281.73%	299.34%	342.99%	366.56%	283.21%	244.29%	

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available

SOMERSET COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ending June 30, 2023

Note 1. Post-Employment Health Care Benefits

Changes in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

1. The discount rate was changed from 3.54% at June 30, 2022 to 4.13% at June 30, 2023.
2. The source for the discount rate was switched from the GO Bond Buyer Index to the S&P Municipal Bond 20 Year Rate Index.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Discount Rate:	The discount rate used to measure the total OPEB liability was 4.13 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2023. The prior valuation used 3.54% from the GO Bond Buyer Index.						
Mortality:	Pub -2010 General Headcount-weighted with fully generational scale MP-2021. This mortality table represents the most recent table for governmental employees released by the Society of Actuaries.						
Turnover:	T7 Standard Table. Based on professional judgement of the actuary						
Salary scale:	3% based on input from the plan sponsor						
Retirement age:	Retirement rates are set based on the professional judgment of the actuary according to the following table: <table border="1"><thead><tr><th colspan="2">Probability of Retirement</th></tr></thead><tbody><tr><td>Age 60-64 & 10+ ye</td><td>20%</td></tr><tr><td>Age 65</td><td>100%</td></tr></tbody></table>	Probability of Retirement		Age 60-64 & 10+ ye	20%	Age 65	100%
Probability of Retirement							
Age 60-64 & 10+ ye	20%						
Age 65	100%						
Utilization:	75%, based on plan experience and input from the plan sponsor						
Valuation of assets:	N/A						
Per Capita Claims:	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The retiree pre-65 premium was \$8,646.36 annually and \$5,160 post-65.						
Trend:	Medical costs were assumed to increase by 7.5% for FY2022 decreasing linearly by 0.25% to an ultimate trend rate of 4.5%.						
Marriage Assumption:	80% married with husbands assumed to be 3 years older than wives. For current retirees actual spousal information and coverage was used.						

ADDITIONAL SUPPLEMENTARY INFORMATION

SOMERSET COUNTY, MARYLAND

REVENUE DETAIL

BUDGET AND ACTUAL (BUDGETARY BASIS)

GENERAL FUND

Year Ended June 30, 2023

	Original/ Final <u>Budget</u>	Actual	Variance Positive (Negative)
TAXES			
Property	\$ 18,535,295	\$ 19,402,179	\$ 866,884
Penalties and interest	275,000	286,088	11,088
	<u>18,810,295</u>	<u>19,688,267</u>	<u>877,972</u>
Income tax	9,050,000	10,203,235	1,153,235
Other			
Admissions and amusements	18,000	28,869	10,869
Recordation	800,000	1,009,261	209,261
Bay Restoration fund fee	16,000	15,954	(46)
Assessments - room tax	81,000	93,464	12,464
	<u>915,000</u>	<u>1,147,548</u>	<u>232,548</u>
	<u>28,775,295</u>	<u>31,039,050</u>	<u>2,263,755</u>
LICENSES AND PERMITS			
Cable franchise fees	112,000	112,743	743
Alcoholic beverages	55,000	63,005	8,005
Traders	17,000	21,909	4,909
Other	2,800	3,181	381
	<u>186,800</u>	<u>200,838</u>	<u>14,038</u>
INTERGOVERNMENTAL			
Federal			
Airport Program	-	119,361	119,361
CDBG COVID rental and food assistance	-	335,462	335,462
Civil defense/emergency services	164,179	187,957	23,778
Sheriff Non-Support	3,000	75	(2,925)
BJAG Sheriff - Equipment	-	100,000	100,000
BJAG Sheriff - NIBRS	-	123,514	123,514
State's Attorney	198,663	200,469	1,806
FEMA Hazard mitigation	-	30,000	30,000
Local Assistance and Tribal Consistency Fund	-	50,000	50,000
EDA Smith Island Tourism	1,000,000	859,161	(140,839)
Transportation Program	200,000	-	(200,000)
Highway safety	1,500	-	(1,500)
CDBG disaster recovery	30,000	-	(30,000)
SLFRF American Rescue Plan	3,573,983	664,060	(2,909,923)
State of Maryland			
Fire, rescue and ambulance	313,590	302,715	(10,875)
Disparity Grant	7,139,319	7,139,319	-
Police protection	125,000	154,418	29,418
Waterways	700,500	254,197	(446,303)
RMEDF - Somerset County Industrial Park	-	1,581,634	1,581,634
Sheriff GRIT program	-	1,897	1,897
MD Criminal Intelligence Network	-	42,000	42,000
Program Open Space	18,000	-	(18,000)
Sheriff license plate reader	-	45,525	45,525
Technical and Community Services	41,000	10,000	(31,000)
Family Services	171,594	201,378	29,784
Airport	450,000	-	(450,000)

SOMERSET COUNTY, MARYLAND

REVENUE DETAIL
 BUDGET AND ACTUAL
 GENERAL FUND
 (Continued)
 Year Ended June 30, 2023

	Original/ Final Budget	Actual	Variance Positive (Negative)
INTERGOVERNMENTAL (continued)			
State of Maryland (continued)			
Tourism	\$ 26,000	\$ 154,863	\$ 128,863
Juror / Circuit Court Cost	120,000	15,015	(104,985)
Civil defense/emergency services	205,550	180,768	(24,782)
Sex Offender Program	16,951	7,745	(9,206)
Health Department Cleaning grant	30,000	30,000	-
GOCCP Body camera	-	216,900	216,900
Forest and Wildlife Pilot	534,834	552,813	17,979
Dentention Center - MAT program	-	50,500	50,500
Broadband MEDAAF	-	240,000	240,000
Sheriff tobacco compliance grant	-	1,800	1,800
Adult Drug Court	258,000	299,948	41,948
Sheriff School Resource Officer	63,470	63,425	(45)
Obesity Prevention	-	4,996	4,996
Courthouse capital	200,000	-	(200,000)
Local			
Payments in lieu of taxes	30,500	48,363	17,863
Crisfield Housing Authority	10,000	-	(10,000)
Somerset County Dispensaries	350,000	235,965	(114,035)
	15,975,633	14,506,243	(1,469,390)
CHARGES FOR SERVICES			
General Government	435,900	677,722	241,822
Mosquito control	42,000	45,717	3,717
Landfill tipping and permit fees	1,562,600	1,533,069	(29,531)
	2,040,500	2,256,508	216,008
MISCELLANEOUS			
Rents and concessions	105,000	111,505	6,505
Telephone concessions	30,000	49,400	19,400
Interest	25,000	675,274	650,274
Proceeds from sale of capital assets	57,000	96,991	39,991
Other	225,629	138,010	(87,619)
	442,629	1,071,180	628,551
OTHER FINANCING SOURCES			
Fund balance appropriated	3,477,053	-	(3,477,053)
	3,477,053	-	(3,477,053)
TOTAL REVENUE AND OTHER FINANCING SOURCES			
	\$ 50,897,910	\$ 49,073,819	\$ (1,824,091)

SOMERSET COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2023**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GENERAL GOVERNMENT			
LEGISLATIVE			
County Commissioners	\$ 81,177	\$ 81,107	\$ 70
Clerk to County Commissioners	293,800	272,967	20,833
	374,977	354,074	20,903
JUDICIAL			
Adult Drug Court	258,000	232,773	25,227
Circuit Court	603,126	399,261	203,865
Family Services	171,594	158,569	13,025
Orphans' Court	26,359	21,637	4,722
State's Attorney	1,265,750	1,230,538	35,212
Law Library	10,000	3,094	6,906
	2,334,829	2,045,872	288,957
ELECTION			
Board of Supervision of Elections	21,210	16,178	5,032
Registration and elections	767,035	504,791	262,244
	788,245	520,969	267,276
FINANCIAL ADMINISTRATION			
Finance and Accounting	404,572	401,020	3,552
Tax collection and disbursement of funds	383,987	367,367	16,620
Internal auditing	147,090	147,104	(14)
Auditing and accounting	50,500	50,500	-
Licensing	22,991	22,432	559
	1,009,140	988,423	20,717
LEGAL			
	147,107	140,649	6,458
PERSONNEL			
	254,894	242,989	11,905
PLANNING AND ZONING			
	1,114,729	1,031,241	83,488
GENERAL SERVICES			
County building	2,471,168	2,245,347	225,821
Tourism	317,461	428,540	(111,079)
	2,788,629	2,673,887	114,742

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 81,107	\$ -
<u>272,967</u>	<u>-</u>
<u>354,074</u>	<u>-</u>
232,773	-
250,897	148,364
158,569	-
21,637	-
1,230,538	-
<u>3,094</u>	<u>-</u>
<u>1,897,508</u>	<u>148,364</u>
16,178	-
<u>432,088</u>	<u>72,703</u>
<u>448,266</u>	<u>72,703</u>
401,020	-
367,367	-
147,104	-
50,500	-
<u>22,432</u>	<u>-</u>
<u>988,423</u>	<u>-</u>
<u>140,649</u>	<u>-</u>
<u>242,989</u>	<u>-</u>
<u>1,031,241</u>	<u>-</u>
1,217,146	1,028,201
<u>428,540</u>	<u>-</u>
<u>1,645,686</u>	<u>1,028,201</u>

SOMERSET COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
GENERAL FUND
(Continued)
Year Ended June 30, 2023**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
MISCELLANEOUS			
Information Technology	\$ 426,449	\$ 428,525	\$ (2,076)
Financial ERP software	32,000	33,825	(1,825)
Community promotions	356,072	361,822	(5,750)
Public Officers Association	26,365	20,809	5,556
Health benefits retirees	382,378	327,316	55,062
Retirement and pension contributions	27,887	27,887	-
Succession planning	53,890	-	53,890
Uncollectible interest and personal property taxes	-	77,382	(77,382)
Coronavirus State and Local Fiscal Recovery Funds			
Not-for-profit relief	300,000	99,774	200,226
Information Technology	1,508,144	270,573	1,237,571
Emergency Services	22,517	18,238	4,279
Public Works	333,000	4,195	328,805
Sheriff	96,308	50,682	45,626
Solid Waste	80,000	80,000	-
General government	247,726	55,000	192,726
Recreation and culture	329,625	-	329,625
Planning & Zoning	121,900	9,600	112,300
Finance	5,000	1,115	3,885
Health	37,830	27,417	10,413
Sanitary District	474,193	38,086	436,107
County Roads	17,738	9,381	8,357
Broadband project	-	250,000	(250,000)
Industrial park	-	1,581,634	(1,581,634)
Other general government	144,728	145,744	(1,016)
	5,023,750	3,919,005	1,104,745
Total General Government	13,836,302	11,917,109	1,919,191
PUBLIC SAFETY			
Sheriff	3,556,928	4,185,712	(628,784)
Police accountability board	28,556	26,177	2,379
Administrative charging committee	26,556	12,527	14,029
Ambulance and fire	1,282,659	1,635,534	(352,875)
Correction	3,276,885	3,164,570	112,315
Other protection			
911 communication	1,633,884	1,579,113	54,771
Animal protection	240,258	233,688	6,570
Civilian trial board	7,889	-	7,889
	10,053,615	10,837,321	(783,706)

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 382,940	\$ 45,585
33,825	-
361,822	-
20,809	-
327,316	-
27,887	-
-	-
77,382	-
99,774	-
39,728	230,845
18,238	-
4,195	-
50,682	-
-	80,000
26,131	28,869
-	-
9,600	-
1,115	-
27,417	-
7,106	30,980
9,381	-
250,000	-
1,581,634	-
145,744	-
<hr/>	
3,502,726	416,279
<hr/>	
10,251,562	1,665,547
<hr/>	
3,732,864	452,848
16,078	10,099
12,527	-
1,635,534	-
3,147,858	16,712
<hr/>	
1,579,113	-
233,688	-
-	-
<hr/>	
10,357,662	479,659

SOMERSET COUNTY, MARYLAND

EXPENDITURE DETAIL

BUDGET AND ACTUAL

GENERAL FUND

(Continued)

Year Ended June 30, 2023

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC WORKS			
Waste collection and disposal	\$ 3,073,946	\$ 2,481,883	\$ 592,063
Highway, streets and waterways	935,326	433,752	501,574
Transportation	897,281	237,946	659,335
	4,906,553	3,153,581	1,752,972
HEALTH			
	1,151,835	1,114,754	37,081
SOCIAL SERVICES			
	76,800	94,935	(18,135)
EDUCATION			
	10,981,232	10,879,065	102,167
RECREATION AND CULTURE			
	2,447,333	3,225,528	(778,195)
CONSERVATION OF NATURAL RESOURCES			
	78,692	72,450	6,242
INTERGOVERNMENTAL			
	223,587	180,910	42,677
DEBT SERVICE			
	2,597,739	2,589,062	8,677
OTHER FINANCING USES			
Operating transfers			
County Roads Department	3,717,168	3,000,000	717,168
Economic Development Commission	212,500	212,500	-
Golf Course - transfers	614,554	441,000	173,554
	4,544,222	3,653,500	890,722
TOTAL EXPENDITURES AND OTHER FINANCING USES			
	50,897,910	47,718,215	3,179,693

***Right-to -use expenditures are excluded*

<u>Salaries and Other Operating Expenses</u>	<u>Capital Outlay</u>
\$ 2,160,039	\$ 321,844
83,475	350,277
147,013	90,933
<hr/>	<hr/>
2,390,527	763,054
<hr/>	<hr/>
1,114,754	-
<hr/>	<hr/>
94,935	-
<hr/>	<hr/>
10,879,065	-
<hr/>	<hr/>
1,404,073	1,821,455
<hr/>	<hr/>
72,450	-
<hr/>	<hr/>
180,910	-
<hr/>	<hr/>
2,589,062	-
<hr/>	<hr/>
3,000,000	-
212,500	-
441,000	-
<hr/>	<hr/>
3,653,500	-
<hr/>	<hr/>
42,988,500	4,729,715
<hr/>	<hr/>

SOMERSET COUNTY, MARYLAND

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2023

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Opioid Restitution Fund</u>	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 84,879	\$ -	\$ -	\$ 84,879
Receivables					
Due from other funds	20,130	-	-	74,621	94,751
Due from other governmental units	37,258	-	40,699	-	77,957
Total assets	\$ 57,388	\$ 84,879	\$ 40,699	\$ 74,621	\$ 257,587
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Due to other governmental units	-	-	40,699	-	40,699
Unearned revenue	57,388	84,834	-	-	142,222
Total liabilities	57,388	84,834	40,699	-	182,921
FUND BALANCE					
Assigned for fund purpose	-	45	-	74,621	74,666
Total fund balance	-	45	-	74,621	74,666
Total liabilities and fund balance	\$ 57,388	\$ 84,879	\$ 40,699	\$ 74,621	\$ 257,587

SOMERSET COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
Year Ended June 30, 2023

	<u>CDBG Programs</u>	<u>Special Loan Program</u>	<u>Commission on Aging - SSTAP</u>	<u>Opioid Restitution Fund</u>	Total Nonmajor Governmental Funds
REVENUE					
Intergovernmental					
Federal	\$ 78,090	\$ -	\$ -	\$ -	\$ 78,090
State	-	189,861	117,447	74,621	381,929
Local	-	-	39,730	-	39,730
Miscellaneous	-	-	-	-	-
Total revenue	78,090	189,861	157,177	74,621	499,749
EXPENDITURES					
Current					
Social services	-	-	157,177	-	157,177
Economic and community development	78,090	189,861	-	-	267,951
Total expenditures	78,090	189,861	157,177	-	425,128
Excess of revenue over expenditures	-	-	-	74,621	74,621
Fund balances, beginning	-	45	-	-	45
Fund balances, ending	\$ -	\$ 45	\$ -	\$ 74,621	\$ 74,666

SOMERSET COUNTY, MARYLAND

COMBINING STATEMENT OF FIDUCIARY NET POSITION

CUSTODIAL FUNDS

June 30, 2023

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
ASSETS						
Cash	\$ -	\$ 15,972	\$ 15,947	\$ 13,473	\$ 37,625	\$ 83,017
Property taxes receivable	89,453	-	-	-	-	89,453
Due from other governmental units	157,141	-	-	-	-	157,141
Total assets	\$246,594	\$ 15,972	\$ 15,947	\$ 13,473	\$ 37,625	\$329,611
LIABILITIES						
Due to other funds	\$246,594	\$ -	\$ -	\$ -	\$ -	\$246,594
Total liabilities	246,594					246,594
NET POSITION						
Restricted	\$ -	\$ 15,972	\$ 15,947	\$ 13,473	\$ 37,625	\$ 83,017

SOMERSET COUNTY, MARYLAND

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
Year Ended June 30, 2023**

	State Tax Fund	State's Attorney Funds	Detention Center Funds	Dental Fund	Retirees Health Fund	Total
ADDITIONS:						
Contributions	\$ -	\$ 35,000	\$ 114,153	\$ 100,897	\$ 382,673	\$ 632,723
Collections for other governments	1,596,747	-	-	-	-	1,596,747
Total additions	1,596,747	35,000	114,153	100,897	382,673	2,229,470
DEDUCTIONS:						
Claims paid	-	-	-	70,495	390,949	461,444
Advisor payments	-	-	-	-	18,776	18,776
Administrative fees	-	-	-	42,898	62,494	105,392
Payments to other governments	1,596,747	-	-	-	-	1,596,747
Other	-	19,964	114,843	106	-	134,913
Total deductions	1,596,747	19,964	114,843	113,499	472,219	2,317,272
Change in net assets	-	15,036	(690)	(12,602)	(89,546)	(87,802)
Net position, beginning	-	936	16,637	26,075	127,171	170,819
Net position, ending	\$ -	\$ 15,972	\$ 15,947	\$ 13,473	\$ 37,625	\$ 83,017

SOMERSET COUNTY, MARYLAND

GENERAL FUND - TAXES RECEIVABLE
June 30, 2023
(Unaudited)

Tax Rate	Assessed Value of Taxable Property	Total Tax Levy	Collected		Balance June 30, 2023
			Amount	Percent	
REAL AND PERSONAL PROPERTY TAXES					
2006-2007 Levy	D	\$ 1,106,824,697	\$ 10,493,110	\$ 10,492,571	99.99
2007-2008 Levy	D	1,337,327,950	12,581,499	12,580,960	100.00
2008-2009 Levy	E	1,568,418,115	14,464,986	14,464,459	100.00
2009-2010 Levy	F	1,683,987,794	15,188,742	15,187,917	99.99
2010-2011 Levy	G	1,699,240,830	15,036,863	15,036,606	100.00
2011-2012 Levy	G	1,616,536,797	14,297,806	14,297,328	100.00
2012-2013 Levy	G	1,457,734,602	12,897,185	12,898,084	100.01
2013-2014 Levy	H	1,416,724,050	12,976,836	12,982,095	100.04
2014-2015 Levy	H	1,361,394,961	12,472,354	12,471,789	100.00
2015-2016 Levy	I	1,371,604,952	13,759,300	13,758,796	100.00
2016-2017 Levy	I	1,365,856,317	13,711,958	13,711,458	100.00
2017-2018 Levy	I	1,360,065,960	13,678,468	13,676,067	99.98
2018-2019 Levy	I	1,354,589,599	13,639,083	13,633,681	99.96
2019-2020 Levy	I	1,379,191,280	13,827,136	13,817,375	99.93
2020-2021 Levy	I	1,381,675,594	13,863,510	13,846,220	99.88
2021-2022 Levy	I	1,415,486,817	14,195,812	14,153,065	99.70
2022-2023 Levy	I	1,463,072,772	14,670,802	13,935,612	94.99
					735,190
					811,367
CORPORATE TAXES					
2000-2001 Levy	2.45	66,651,000	1,609,994	1,609,244	99.95
2001-2002 Levy	A	67,000,140	1,618,012	1,617,329	99.96
2002-2003 Levy	B	68,632,290	1,586,645	1,586,073	99.96
2003-2004 Levy	B	66,109,090	1,501,437	1,500,599	99.94
2004-2005 Levy	B	58,704,930	1,490,057	1,488,794	99.92
2005-2006 Levy	C	59,295,350	1,486,284	1,485,325	99.94
2006-2007 Levy	D	64,167,890	1,520,906	1,519,951	99.94
2007-2008 Levy	D	65,157,950	1,511,292	1,510,332	99.94
2008-2009 Levy	E	67,770,460	1,538,019	1,536,662	99.91
2009-2010 Levy	F	59,364,950	1,541,422	1,540,541	99.94
2010-2011 Levy	G	67,314,350	1,486,601	1,485,189	99.91
2011-2012 Levy	G	68,712,250	1,518,309	1,513,948	99.71
2012-2013 Levy	G	66,886,140	1,478,987	1,478,653	99.98
2013-2014 Levy	H	67,554,650	1,547,526	1,544,468	99.80
2014-2015 Levy	H	72,477,610	1,652,028	1,648,752	99.80
2015-2016 Levy	I	76,183,980	1,897,500	1,890,610	99.64
2016-2017 Levy	I	78,783,510	1,970,352	1,962,804	99.62
2017-2018 Levy	I	75,445,340	1,883,027	1,874,932	99.57
2018-2019 Levy	I	141,146,080	3,539,598	3,524,409	99.57
2019-2020 Levy	I	140,910,710	3,576,429	3,552,842	99.34
2020-2021 Levy	I	160,950,390	4,023,760	3,988,254	99.12
2021-2022 Levy	I	170,876,060	4,271,902	4,250,353	99.50
2022-2023 Levy	I	171,810,390	4,295,260	4,208,629	97.98
					86,631
					226,654
Less: Allowance for doubtful accounts					
					1,038,021
					-
					\$ 1,038,021

A Real property-tax rate \$ 98
Personal property-tax rate \$2 45

B Real property-tax rate \$1 010
Personal property-tax rate \$2 525

C Real property-tax rate \$ 99
Personal property-tax rate \$2 475

D Real property-tax rate \$ 94
Personal property-tax rate \$2 35

E Real property-tax rate \$ 92
Personal property-tax rate \$2.30

F Real property-tax rate \$ 90
Personal property-tax rate \$2 25

G Real property-tax rate \$ 8837
Personal property-tax rate \$2 20925

H Real property-tax rate \$ 9150
Personal property-tax rate \$2 28750

I Real property-tax rate \$1 00
Personal property-tax rate \$2 50

SOMERSET COUNTY, MARYLAND

GENERAL FUND - PROPERTY TAX LEVIES AND COLLECTIONS

Years Ended June 30, 2023

(Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>County Tax Rate</u>	<u>Assessable Base</u>	<u>County Tax Levy</u>	<u>Collections</u>	<u>% of Levy Collected in Year of Levy</u>	<u>Delinquent Tax Collections</u>
2023	I	\$ 1,634,883,162	\$ 18,966,062	\$18,144,241	95.67	\$ 1,010,483
2022	I	1,586,362,877	18,467,714	17,807,607	96.43	671,936
2021	I	1,542,625,984	17,887,270	17,102,228	95.61	841,721
2020	I	1,520,101,990	17,358,956	16,298,051	93.89	1,039,955
2019	I	1,495,735,679	17,173,545	15,849,424	92.29	1,318,015
2018	I	1,435,511,300	15,489,323	14,123,160	91.18	1,412,335
2017	I	1,444,639,827	15,687,444	14,304,667	91.19	1,353,166
2016	I	1,447,788,932	15,675,025	14,291,127	91.17	1,354,589
2015	H	1,433,872,571	14,149,738	12,795,819	90.43	1,339,380
2014	H	1,484,278,700	14,547,130	13,078,987	89.91	1,405,754
2013	G	1,527,554,512	14,424,497	12,945,537	89.75	1,470,348
2012	G	1,685,249,047	15,843,761	14,008,327	88.42	781,885
2011	G	1,766,555,180	16,543,705	14,755,506	89.19	1,956,859
2010	F	1,743,352,744	16,533,458	14,463,621	87.48	1,672,784

F Real property - tax rate \$.90
Personal property - tax rate \$2.25

H Real property - tax rate \$.9150
Personal property - tax rate \$2.28750

G Real property - tax rate \$.8837
Personal property - tax rate \$2.209

I Real property - tax rate \$1.00
Personal property - tax rate \$2.50

<u>Total Tax Collections</u>	<u>Total Collections as a % of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a % of Current Levy</u>
\$ 19,154,724	100.99	\$1,038,021	5.47
18,479,543	100.06	895,133	4.85
17,943,949	100.32	1,009,957	5.65
17,338,006	99.88	1,633,162	9.41
17,167,439	99.96	1,956,217	11.39
15,535,495	100.30	1,879,388	12.13
15,657,833	99.81	1,932,294	12.32
15,645,716	99.81	1,906,233	12.16
14,135,199	99.90	1,834,072	12.96
14,484,741	99.57	1,909,253	13.12
14,415,885	99.94	1,897,512	13.15
14,790,212	93.35	2,243,129	14.16
16,712,365	101.02	2,046,377	12.37
16,136,405	97.60	2,308,088	13.96

SOMERSET COUNTY, MARYLAND

GENERAL FUND - PROPERTY ASSESSED VALUES

June 30, 2023

(Unaudited)

Fiscal Year Ended June 30,	Assessed Values						<u>Total</u>	
	Real Property		Personal Property					
	<u>Full Year</u>	<u>Partial Year</u>	<u>Locally Assessed</u>	<u>Ordinary Business Corporations</u>	<u>Railroads & Public Utilities</u>			
2023	\$ 1,439,968,992	\$ 20,432,200	\$ 2,671,580	\$ 111,876,140	\$ 59,934,250	1,634,883,162		
2022	1,391,012,767	21,744,460	2,729,590	119,671,060	51,205,000	1,586,362,877		
2021	1,376,379,584	2,179,100	3,116,910	113,184,960	47,765,430	1,542,625,984		
2020	1,360,786,900	15,452,660	2,951,720	96,221,370	44,689,340	1,520,101,990		
2019	1,349,932,949	1,541,100	3,115,550	98,775,040	42,371,040	1,495,735,679		
2018	1,350,945,420	5,467,700	3,652,840	37,156,350	38,288,990	1,435,511,300		
2017	1,358,564,567	3,338,850	3,952,900	34,590,320	44,193,190	1,444,639,827		
2016	1,365,432,377	2,547,495	3,625,080	33,396,010	42,787,970	1,447,788,932		
2015	1,356,452,671	2,388,610	2,553,680	31,130,030	41,347,580	1,433,872,571		
2014	1,411,596,700	2,300,950	2,826,400	29,509,350	38,045,300	1,484,278,700		
2013	1,452,719,887	5,014,715	2,933,770	29,600,550	37,285,590	1,527,554,512		
2012	1,611,332,127	2,156,870	3,047,800	32,754,490	35,957,760	1,685,249,047		
2011	1,690,889,068	5,306,102	3,045,660	32,693,140	34,621,210	1,766,555,180		
2010	1,678,787,893	2,099,401	3,100,500	32,393,030	26,971,920	1,743,352,744		

SOMERSET COUNTY, MARYLAND

GOVERNMENTAL FUND TYPES (REPORTING ENTITY)
EXPENDITURES BY FUNCTION
Ten Years Ended June 30, 2023
(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General government	\$ 11,917,109	\$ 11,486,703	\$ 9,683,268	\$ 7,379,201	\$ 7,125,940
Public safety	10,837,321	9,024,794	8,215,555	9,134,834	11,961,190
Public works	7,479,597	6,977,735	5,719,571	8,423,291	6,195,302
Health	1,114,754	891,699	933,320	895,468	987,540
Social services	252,112	233,226	262,520	261,005	297,376
Education	70,697,098	61,014,817	61,059,336	62,263,051	64,687,722
Recreation and culture	3,755,962	1,746,331	2,674,766	5,017,854	1,855,487
Conservation of natural resources	72,450	69,462	63,714	75,491	118,626
Economic and community development	555,266	1,173,219	2,128,857	4,186,319	1,751,832
Intergovernmental	180,910	173,456	148,717	175,157	144,953
Debt service	2,589,062	2,681,167	2,892,390	6,721,569	2,442,585
Miscellaneous	-	-	-	-	-
	<u>\$ 109,451,641</u>	<u>\$ 95,472,609</u>	<u>\$ 93,782,014</u>	<u>\$ 104,533,240</u>	<u>\$ 97,568,553</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	6,736,354	\$ 6,329,780	\$ 6,035,270	\$ 6,538,792	\$ 6,757,059
	8,209,251	7,620,741	7,469,144	7,213,198	7,520,291
	5,244,929	5,259,924	5,226,400	6,127,456	6,395,927
	958,975	904,358	871,610	886,985	828,186
	353,222	266,993	245,110	252,823	243,418
	50,138,362	37,698,097	36,808,025	35,129,242	32,460,744
	1,847,813	1,903,212	4,372,667	3,603,710	1,593,380
	111,992	102,045	112,980	109,575	98,730
	3,623,751	7,830,421	5,682,392	3,445,175	1,550,771
	169,542	165,875	172,444	152,212	154,783
	2,650,210	5,583,235	2,476,675	2,436,591	10,179,576
	-	-	-	-	-
\$	<u>80,044,401</u>	<u>\$ 73,664,681</u>	<u>\$ 69,472,717</u>	<u>\$ 65,895,759</u>	<u>\$ 67,782,865</u>

SOMERSET COUNTY, MARYLAND

**STATEMENT OF REVENUE AND EXPENSES
ENTERPRISE FUND**
Years Ended June 30, 2023 and 2022

	Primary Government	Enterprise Fund	Golf Course
	<u>2023</u>	<u>2022</u>	
OPERATING REVENUE			
Charges for services:			
Green fees	\$ 388,863	\$ 318,845	
Cart fees	168,521	158,695	
Driving range	15,543	12,787	
Membership dues	110,913	95,747	
Concessions	62,550	75,218	
Gift card revenue	8,586	10,441	
Miscellaneous	502	1,640	
 Total operating revenue	 755,478	 673,373	
OPERATING EXPENSES			
Salaries and related taxes	524,525	479,959	
Repairs and maintenance	194,921	116,806	
Supplies	143,299	138,274	
Utilities	39,485	32,642	
Insurance	72,433	82,399	
Depreciation and amortization	128,282	142,787	
Other operating	155,905	164,797	
 Total operating expenses	 1,258,850	 1,157,664	
 Net operating loss	 (503,372)	 (484,291)	
NON-OPERATING REVENUE (EXPENSES)			
Financial expense, net	(1,911)	(1,955)	
Operating transfers, net	441,000	325,000	
 Net non-operating revenue	 439,089	 323,045	
 Net loss	 \$ (64,283)	 \$ (161,246)	

THE UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Somerset County, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Somerset County, Maryland's basic financial statements and have issued our report thereon dated February 29, 2024. Our report included a reference to other auditors who audited the financial statements of the Somerset County Sanitary District, as described in our report on Somerset County, Maryland's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset County, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Somerset County, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Somerset County, Maryland's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerset County, Maryland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "UHY LLP". The "U" and "H" are connected, as are the "Y" and "L".

Salisbury, Maryland
February 29, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

The Board of County Commissioners
Somerset County, Maryland
Princess Anne, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Somerset County, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Somerset County, Maryland's major federal programs for the year ended June 30, 2023. Somerset County, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Somerset County, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Somerset County, Maryland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Somerset County, Maryland's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Somerset County, Maryland's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Somerset County, Maryland's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Somerset County, Maryland's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Somerset County, Maryland's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Somerset County, Maryland's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Somerset County, Maryland's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "UHY LLP". The "U" and "H" are connected, as are the "Y" and "L".

Salisbury, Maryland
February 29, 2024

SOMERSET COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

<u>Description</u>	<u>Federal Assistance Listing Numbers</u>	<u>Passthrough Grantor's Numbers</u>	<u>Expenditures to Subrecipients</u>
<u>Department of Commerce</u>			
Direct Award - Economic Development Administration			
<i>Economic Development Cluster</i>			
COVID-19 ARPA Travel, Tourism and Outdoor Recreation Grant - Smith Island Road Project	11.307	N/A	\$ 859,161 \$ -
<i>Sub-Total Economic Development Cluster</i>			859,161 -
Total Department of Commerce			859,161 -
<u>Department of Housing and Urban Development</u>			
Passed through Maryland Department of Housing and Community Development:			
Blight Removal	14.228	MD-20-CD-25	78,090 -
COVID-19 Rental and Food Assistance	14.228	CV-1-10	9,243 -
COVID-19 Rental and Food Assistance	14.228	CV-2-14	134,463 -
Total Department of Housing and Urban Development			221,796 -
<u>Department of Homeland Security</u>			
Passed through State of Maryland Department of Emergency Management:			
Hazard Mitigation Grant - 911	97.039	HMGP DR-4491	30,000 -
Emergency Services - Homeland Security Grant	97.067	21SHSP857	107,578 -
Emergency Management Performance Grant	97.042	22EMPG857	80,379 -
Total Department of Homeland Security			217,957 -
<u>Department of Justice</u>			
Passed through State of Maryland Governor's Office of Crime Control and Prevention			
BJAG-Multi-Agency NIBRS Compliant RMS	16.738	BJAG-2018-0023	123,514 -
BJAG-Technology Upgrades	16.738	BJAG-2020-0023	100,000 -
Total Department of Justice			223,514 -
<u>Department of Treasury</u>			
Direct Award			
COVID-19 Coronavirus Recovery Fund - American Rescue Plan	21.027	N/A	664,060 -
COVID-19 Local Assistance and Tribal Consistency Fund - ARPA	21.032	N/A	50,000 -
Sub-Total			714,060 -
Passed through Maryland Department of Housing and Community Development:			
COVID-19 Emergency Rental Assistance Program	21.023	ERA0386	191,756 -
Sub-Total			191,756 -
Total Department of Treasury			905,816 -
<u>Department of Health and Human Services</u>			
Passed through State of Maryland Department of Human Resources:			
States Attorney Child Support	93.563	CSEA/CRA-23-023	200,469 -
Non Support Grant - Sheriff	93.563	CSEA/CRA-23-039	75 -
Total Department of Health and Human Services			200,544 -
<u>Department of Transportation</u>			
Direct Award			
Federal Aviation Administration (AIP)	20.106	3-24-0012-017	119,361 -
Total Department of Transportation			119,361 -
Total Expenditures of Federal Awards			\$ 2,748,149 \$ -

SOMERSET COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Somerset County, Maryland under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Somerset County, Maryland has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SOMERSET COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Somerset County, Maryland were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses in internal control related to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Somerset County, Maryland, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the amount of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Somerset County, Maryland expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to major federal award programs for Somerset County, Maryland that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs include:
 - 21.027 - Coronavirus State and Local Fiscal Recovery Funds
 - 11.307 – Economic Adjustment Assistance
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Somerset County, Maryland was determined to be a low-risk auditee for the year ended June 30, 2023.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None